DEC 1 0 1945

Final Edition — Investment Bankers Association Convention Issue — In 2 Sections—Section 1

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The COMMERCIAL and FINANCIAL CHRONICLE

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Volume 162 Number 4444 — New York, N. Y. Thursday, December 6, 1945 — Price 60 Cents a Copy

Collectivism on the American Scene

By JOHN W. BRICKER*
Former Governor of Ohio

Governor Bricker Scores the Collectivist Trend, Which Is Being Furthered by "The Professional Intellectuals." He Contrasts Present "Word Twisters" With Thinkers Like Jefferson and Franklin, Who Were Community Workers, and With Their "Earthiness" Made Up for a Lack of Sparkle and Volume of Words. States That Increasing the Power of the Government Machine, Although Done Under the Liberal Label, Actually Constitutes the Historic Infringement on Liberalism. He Warns Against "Stern Equality" in America as Leading to "Mere Inertia, Torpor and Death."

We are a forward looking nation, and great benefits have come to our land and to the world from this fact.

John W. Bricker

The mainspring of our greatness has been our willingness, and our ability to think and act boldly and well for the future and to execute our ideas and our ideals in a manner which is the marvel of the world.

But there are signs throughout our land that we are now being urged to think differently about ourselves and our destiny. Sometimes it seems as though we are in the hands of the professional intellectuals. By the professional intellectuals I mean the able men, and

*An address made by Mr. Bricker before The Economic Club of New York, Nov. 29, 1945.

Continued on page 2771

Full Production Means Full Employment—Plus

By IRA MOSHER*
President, National Association of Manufacturers

Asserting That Only a Free and Increasing Flow of Capital Into Enterprise Is the Panacea for Full Employment and Prosperity, Mr. Mosher Lays Down as Essentials for Increased Investment: (1) a Tax System Which Makes Accumulation of Savings Possible; (2) a Tax Policy Which Will Not Take so Much From Gross Income as to Prevent Adequate Return to Investors. Sees Need of Eliminating Such Special Privileges as Tariffs and Preferences Given to Labor, and Calls for Restoration of a Sound Money and Credit System. Approves President Truman's Labor Recommendations and Urges That Business Men Be Better and Bigger and Make Their Objectives Primarily in the Public's Behalf.

Ira Mosher

One year ago I resigned from my principal business connection to accept the presidency of NAM. I thought I was retiring to a less active life, but I learned differently mighty fast. I know now that being your president is more strenuous in many ways than running a business. On the

*Address by Mr. Mosher before the Golden Anniversary Congress of American Industry of the National Association of Manufacturers, New York City, Dec. 5, 1945.

(Continued on page 2785)

Investment Bankers Association of America Holds 34th Annual Meeting in Chicago

Charles S. Garland Is Elected President at First Formal Convention Since War

The 34th Annual Meeting of the Investment Bankers Association was held in Chicago at the Edgewater Beach Hotel from Nov. 25 to Nov. 28.

Officers inducted at the meeting were: Charles S. Garland, Alex. Brown & Sons, Baltimore, President, who succeeded John C. Folger, Folger, Nolan & Co., Washington, D. C.; Hazen S. Arnold, Braun, Bosworth & Co., Toledo; Julien H. Collins, Julien Collins & Co., Chicago; Hal H. Dewar, Dewar Robertson & Pancoast, San Antonio; Edward Hopkinson, Jr., Drexel & Co., Philadelphia, and Lee M. Limbert, Blyth & Co., Inc., New York, Vice-Presidents.

Among the principal speakers were John W. Snyder, Director of Reconversion, and the Hon. Leverett Saltonstall, U. S. Senator from Massachusetts.

Full texts of the formal addresses made at the meeting and of most of the Committee reports, also a list of those who attended the conference, will be found in this issue, starting on page 2721.

Charles S. Garland

Chairmen of the Regional Groups taking office at the annual meeting are:

California Group: Donald Royce, Blyth & Co., Los Angeles.

Canadian Group: H. N. Bawden, The Dominion Securities Corp., Ltd., Toronto.

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Southern Group: Albert S. Hill, Nashville Securities Co., Nashville.

Southwestern Group: Harold C. Evans, Commerce Trust Co., Kansas City.

Texas Group: W. E. Knicker-

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Bright Prospects for Utility Investments

By HAROLD H. YOUNG*

Mr. Young, After Calling Attention to the Record of Public Utilities Investments, Points Out That Because of the Almost Entire Absence of Reconversion Expense, Expanding Domestic Use of Electricity and Gas and the Relief From Excess Profits Taxes, the Immediate Future Outlook for Utility Securities Is Promising. Sees Opportunities in Shares of Operating Companies, Formerly Held by Holding Corporations, Which Are Now Being Placed on the Market and Contends That Shares of Some Holding Concerns Offer Speculative Possibilities as a Call on Their Underlying Company Shares in a Break-Up Distribution. Holds Trust Funds and Institutional Investors Would Do Well to Place More Funds in Utilities.

Among the various types of businesses competing for the investor's funds, the public utility companies have established an enviable record. There are very few fields in which there has been the year-in and year-out growth which the utility companies have shown.

Harold H. Young

The use of electricity has shown impressive gains in the industrial, commercial and domestic fields. The amount of electricity generated in this country in 1944 was more than five times that generated in 1920 and more than eleven times the output in 1914. As the use

*An address by Mr. Young before the Rocky Mountain Group of the Investment Bankers Association, Denver, Colo. Dec. 4, 1945, Mr. Young is Public Utilities Analyst with Eastman, Dillon & Co., New York City.

(Continued on page 2768)

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Portfolio Management In a Changing World

By RAGNAR D. NAESS

Investment Counsellor Sets Forth Scientific Principles for the Conservation of Capital and Income. Urges Maintenance of a Balanced Portfolio Over the Long-Term to Give Flexibility, to Meet Changing Conditions and to Provide Insurance Against Emergencies. Recommends Moderate Diversification Among 20-30 Different Equity Securities, Including Young Growth Companies as Well as "Blue Chips." He Prophesies Continuation of the Present Fundamental Upward Price Trend. Lists a Suggested Portfolio, Composed 50% of Common Stocks, 25% of Government Bonds, 10% of "Relatively Stable" Preferred Stocks, and 15% of Preferreds "With Some Price Risk."

The management of portfolios depends upon requirements and circumstances of individuals and upon the particular approach or methods used by the investment manager. There are many ways of accomplishing a desired objective in this as in almost every other field of endeavor.

Ragnar D. Naess

This article deals with the subject of portfolio management from my own point of view as an investment counsellor. It deals with the problem of meeting the requirements of the average individual who does not want to speculate or trade but who is interested, over a period of years, in maintaining principal, in receiving a reasonable return on his capital, and, as opportunities may arise, in increasing his capital.

I would like to discuss certain fundamental principles first which I believe are basic in accomplishing these objectives. Secondly, I would like to suggest certain general applications of these principles, and finally I will apply these principles to today's situation. Perhaps much of what I will say is well known and obvious. Sometimes it is worthwhile nevertheless to put on paper the thoughts and ideas that investment managers have to struggle with every day of their business life even if they appear to be obvious.

Fundamental Principles of Portfolio Management

The most fundamental principle is that of recognizing and measuring the element of risk. Investment management is not an exact science, yet a scientific approach is essential for success. In engineering it is possible to determine and to plan beforehand the designing and construction of a bridge to be used for certain specific purposes. A margin of safety can be allowed for that eliminates the risk of failure to meet the specified requirements. Portfolio management demands the same aproach even though the possibilities of error are greater and therefore the risks of failure to accomplish a certain purpose are higher.

This approach does not imply that a timid investment policy should be followed. On the contrary, to fulfill the responsibility to owners of funds it is necessary to follow an aggressive policy when justified, and a protective policy when needed. An investment policy that is too timid invites stagnation and atrophy which over a period of time may bring poor results in a rapidly changing world. A policy which is too aggressive invites taking

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A Gold Coin Standard for U. S.?

By WALTER E. SPAHR

Professor of Economics, New York University
Secretary, Economists' National Committee on Monetary Policy

Dr. Spahr Points Out as Two Bad Features of the Engle Bill to Resume Coinage of Gold as (1) It Would Not Provide a Gold-Coin Standard, but Would Instead Subject People to the Uncertainties of Repeated Changes in the Monetary Unit; and (2) It Would Restore Bimetallism With All Its Evils. Holds Administration's Monetary Policy to Divorce Nation From a Genuine Gold Standard Permits Other Countries to Obtain Our Gold While Making It Criminal for Our Own Citizens to Hold It. Decries "Scarcity of Gold" Argument as a Reason for Holding to a Paper Standard and Contends That Under Present Monetary System There Is No Check by People on the Public Purse or on Bad Banking Practices.

On Nov. 13, Representative Clair Engle (D.-Calif.) introduced a bill, H. R. 4669, and on Nov. 14, Senator Barkley (D.-Ky.), on behalf of Senators Murray of Montana and Taylor of Idaho, introduced a companion bill, S. 1596, both interpreted in the press as providing for the return of the United States to a gold-coin standard.

Dr. Walter E. Spahr

The press apparently was misled as to the nature of these bills because of a misleading release issued on Nov. 13 by a Subcommittee on Mining and Minerals Industry, Senate Special Committee on Small Business. It read:

"A new bill designed to permit free circulation of gold will be presented to the United States Senate soon (probably Tuesday, Nov. 13) by Senator Glen Taylor (Idaho), for himself and Senator James E. Murray (Montana).

"Specifically, the bill provides for the following changes in existing rules governing the circulation of gold:

"1. It will permit coinage of a $50 gold piece.

"2. It will provide for free circulation of gold and the convertibility of gold with currency.

"3. It will authorize the President to raise the price of gold above the present $35 per ounce figure.

"4. It will permit persons tendering gold bullion to the mints to receive in return therefor either coined gold or currency, depending upon his wish."

Examination of the Engle Bill reveals that it is not a gold-coin standard bill but, instead, a bill which provides, fundamentally, for two things: (1) a bimetallic system, with ratios between gold and silver to be determined by the President, and (2) the revival of the power of the President to devalue the gold and silver currency as he sees fit. The gold-dollar value of an ounce of gold may not be less than $35 per fine ounce. Provision is made for the

(Continued on page 2744)

Atomic Energy and Free Enterprise

By HAROLD J. LASKI*

Chairman of the British Labor Party

Chairman of the British Labor Party Contends That Control Of Scientific Materials or Processes By Private Interests "Would Be to Impose New Chains of Servitude Upon Mankind." Says That a Society Dominated by Free Enterprise Cannot Be Trusted to Keep the Peace. Alleging That Business Has Split Our Society in Two, He Finds It Significant That "Only in the New World of Russia Has the Businessman Ceased to Count." Urges the Elimination of National Sovereignty to End War.

I am bound to begin by paying my homage to the great part that the United States has played in the organization of military victory; I hope I may live to pay a deeper homage to a great nation which makes the victory in war the prelude to victory in peace. For I suspect that all of us now recognize that military victory is an opportunity and not a fulfillment. That at least was understood by that supreme friend of democracy and freedom, Franklin Delano Roosevelt. We in Britain think of him as the outstanding American architect of what may become, given the will on our part, a better and a happier world. If that new world be built, I venture the prophesy that no name will be held in deeper reverence than his. You may have your differences with this or that item in his policies, as we in Europe have had our differences with Mr. Churchill or with Generalissimo Stalin. That does not prevent our realization that our own stature is measured by the respect we pay them. They have added a noble chapter to the his-

Harold J. Laski

*An address by Prof. Laski at the Dinner of the Nation Associates, New York City, Dec. 3, 1945.

(Continued on page 2772)

Surrendered Liberties

There Is No Let Up of Restraints Upon the Securities Industry by SEC, Which Uses NASD as Its Handmaiden to Annihilate Piecemeal Established Trade Custom and Usage. Additional Fetters, Such as Recent NASD By-Laws, Controlling Profits and Commissions and Requiring Registration of Salesmen, etc., Are Being Applied, and Unless We "Stick Our Necks Out" to Oppose This Tyranny, Free Enterprise Will Disappear and Our Liberties Continue to Fade.

It is an interesting pattern that filches some of our freedoms.

First there is the legislative lobby. Then comes the formulation of a bill containing numerous general recitals in an attempt to set up what is technically known as "an emergency."

Ultimately the bill finds its way into the hopper and comes out a law.

The personnel which is set up as the enforcement agency to give "teeth" to the legislation usually has amongst its

(Continued from page 2707)

The Blocked Sterling Balances

By PAUL EINZIG

British Economist Holds Purchase of British Goods Against Their Sterling Balances by Members of the Sterling Bloc Will Not Afford the Foreign Exchange Required by Great Britain to Finance Imports. Sees Danger of Shortage of British Goods Due to Rush of Buying by Holders of Sterling and Says Though Individual Exporters May Gain, the Nation Will Lose. Estimates Blocked Sterling at £4 Billions.

Paul Einzig

LONDON, ENGLAND.—Once more the problem of Britain's external floating war indebtedness has become the topic of discussion, as a result of the affirmative answer given in the House of Commons by the Chancellor of the Exchequer to the question whether overseas holders of sterling balances are in a position to withdraw their funds in the form of purchasing and exporting British goods that are not subject to export license. This means that the so-called "blocked" sterling balances are no longer blocked. In theory, throughout the war their holders were at liberty to use their money for purchases of goods, not only in Britain but in any country of the Sterling Area. In practice, however, restrictions on exports limited such use of the sterling balances to authorized transactions. Now that the greater part of exports is no longer subject to license, the balances have ceased

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Wage-Price Equation And Future Outlook

By HAROLD G. MOULTON*
President, Brookings Institution

Asserting That We Possess the Plant Capacity, Labor Personnel, Financial Resources and Technical Knowledge and Experience Necessary for Development, Dr. Moulton Contends That the Present Economic Conflict and Confusion Retarding Advancement Are Government Controls and the Labor-Price Equation. Warns Higher Wages, With Goods Shortage under Fixed Prices Will Intensify Inflation Pressure, and That Wartime Industrial Profits Cannot be Used as Measure of Ability to Pay Higher Wages. Maintains OPA Control Has Become Profit Control and Unless Prices Can Be Adjusted to Wages, the Cost-Price Equation Breaks Down. Calls for Policy of Realism in Respect to Wages and Sees Ground for Future Prosperity.

The immediate business situation is, of course, best characterized as one of conflict and confusion. The conflict is manifested in the relations between labor and industry; the confusion is found in the minds of public officials. The crucial issue is the wage-price equation. But before discussing the immediate situation a few words should be said about certain factors of a more general character which will have a bearing upon the post-war situation for several years to come.

Harold G. Moulton

The outlook at the end of the war—both from the standpoint of the business enterprise system and the welfare of the masses of the people—is enormously better than most observers had anticipated when the United States was forced into the world conflict. In the view of many, participation in a second world war would almost certainly (1) seal the fate of private enterprise, (2) brings a vast inflation of prices, and (3) result in impoverishment and increased unemployment. By the end of the war these dire forebodings had given place to extravagant expectation on the part of some and to a distinctly hopeful attitude on the part of most observers. What are the factors responsible for this remarkable change in public opinion?

Factors of Stability

First, instead of sealing the fate of private enterprise, the war period brought to the American people as a whole, and I believe to the government, a new realization of its vital importance. This profound change is due to two principal factors: (1) the remarkable achievement of private enterprise during the war; and

(Continued on page 2778)

*An address by Dr. Moulton before the American Finance Conference, Nov. 28, 1945.

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Government's Role In Full Production

By HON. HENRY A. WALLACE*
Secretary of Commerce

Mr. Wallace Expresses Confidence in the Continuance of Our Great Wartime Industry-Labor Record if We Maintain General Agreement as to Our Objective, a Well-Defined Method of Working Toward It, and Willing Cooperation by All Classes. His Department of Commerce Will Help Business by Providing (1) Revitalized Foreign Trade Promotion Services; (2) Management, Technological, and Marketing Aids; (3) Strengthening of the Department's Technical Bureaus; and (4) Furnishing Government and Business With Statistics and a Complete Analytical Program. Declares That the Salvation of American Industry and Free Enterprise Lies in Technological Improvement, Greater Production, Expanded Consumption, and Increased Profits Based on High Volume Rather Than High Prices. After Stating That the Danger of Inflation Dominates the Picture, He Supports President Truman's Policy, Which He Interprets as Follows: "The Way to Prevent Inflation Is to Hold the Line on Prices. And the Way to Prevent Deflation Is to Maintain the Volume of Purchasing Power in the Hands of the Consuming Public."

It is fitting to open this Golden Anniversary Congress of American Industry with a strong word of praise for the great job which American industry did during the war. When we remember what seemed possible in the way of production five years ago, and then look at the enormous output of the war and civilian goods actually produced, we can see that American industry and labor pulling together achieved amazing results. The war record of the American economy was as good as the stoutest apostle of our free private enterprise system dared predict it would be.

Henry A. Wallace

That record shows what can be done under our form of political and economic organization when we have three things: general agreement as to the objective, a well-defined method of working toward that goal, and willing cooperation by all elements in our society. We had those three things during the war. Our national existence was threatened. There was universal agreement that we had to win the war; with that agreement, it was not too hard to find ways of doing what had to be done.

Now of course it is easy to say that what we need in time of peace is the same unity of purpose. It is also perfectly obvious that such unity is hard to get. We do not have such clear-cut agreement as to our goals, and when we do agree as to goals it is much harder to agree about the best way to reach them. Furthermore, the economy itself is and must be very different in peace than in war. It must be more flexible. It must contain much more room for experimentation, and for different types of action; certainly we do not want the regimentation and controls that are necessary in wartime.

Yet it seems to me that in the broad sense we do have a very solid unity in this country, as far as our ultimate objective is concerned. Everyone in America—farmer, worker, businessman, consumer—wants our magnificent

*An address made by Mr. Wallace before the Golden Anniversary Congress of American Industry, National Association of Manufacturers, New York City, Dec. 5, 1945.

(Continued on page 2784)

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25 Park Place, New York 8
REctor 2-9570 to 9576
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, *President*
William D. Riggs, *Business Manager*
Thursday, December 6 1945
Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)
Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

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Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico, and Cuba, $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.

Other Publications
Bank and Quotation Record—Mth.$25 yr.
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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Canada's Prospective Trends

By MELCHIOR PALYI*

Economist Discusses Canada's Political and Economic Situation in the Light of Post-War Conditions. Sees a Better Labor Situation There Than in the United States Where the Inflationary Trend Is More Pronounced. Looks for Long-Run Shifts in Canada's Foreign Trade With Declining Importance of Agricultural and Increasing Mineral and Manufactured Exports. Sees No Bar in Imperial Preference to Close and Expanding Commerce With U. S. and Concludes That, Short of Catastrophic Occurrences, Canada Should Remain the Leading Area Serving as An Outlet for American Private and Corporate Capital Seeking Sound Investment Abroad.

From the investor's point of view, four primary and closely interrelated factors enter into the determination of prospective trends in Canada: the labor situation; the financial set-up; the outlook on the Dominion's balance of payments; and the general direction of its economic policies. The following survey endeavors to point out a few highlights, rather than to offer a comprehensive analysis.

Dr. Melchior Palyi

Labor's Position

The labor position in Canada is characterized by a wage level (in war plants) as much as 50% below the American. A difference in the internal balance of political forces explains this discrepancy to some extent. The radical CCF (Cooperative Commonwealth Federation) which swept Saskatchewan last year has been crushingly defeated in the Dominion elections of the past summer. The majority of the victorious Liberals is very precarious, but their opponents, the Progressive Conservatives, are as similar to them in economic color as one egg is to another. In other words, the middle classes are in control of the Dominion for the next five years, come what may. The recent official White Paper on the economic program of the Government, written by professorial braintrusters in Ottawa, embodies the flower of Keynesian and New Deal economics. But in practice, a rational line prevails, determined by the idea that Canada's competitive position in the world markets makes a reasonable stabilization of prices and wages imperative. Take unemployment benefits as an example.

At home, the President's $25 a week dole is tantamount to raising wages by indirection. By contrast, the Canadian unemployment insurance is handled strictly on an insurance basis with the following features outstanding:

1. Employees with a remuneration exceeding $2,000 per year (except in the building construction industry) are not eligible for benefits. The idea is that people who earn more than $2,000 should be able to provide for a rainy day. In this country, the amount equivalent in purchasing power, say $2,500 per year, would at once exclude most qualified war workers.

2. In Canada, the highest weekly benefit anyone can receive is $12.24 for a single person and $14.40 for a person with one or more dependents. The average benefit is somewhere around a weekly $8, an amount which is just about sufficient to keep body and soul together, but not to deter the worker from looking for a job. A new "baby bonus" subsidy, which has been bitterly criticized as costing $200 millions a year, provides only about $1 weekly per child.

3. The period for which benefits are provided is restricted to one-

(Continued on page 2749)

*Dr. Palyi visited Canada lately on behalf of Securities Counsel, Incorporated, Jackson, Mich.

The Investment Banker's Dilemma

By IVAN WRIGHT

Economist Holds There Will Be Heavy Demands for Investment Capital, Both at Home and Abroad, and the Investment Banker's Responsibilities in Fulfilling the Demands Are Complicated by Cheap Money, Low Interest Rates and Socialized Lending. Enumerates Obligations of Investment Bankers to Public and Stresses Their Task in Maintaining Sound Money and Financial Practices as Well as Aiding in Restoration of Free Enterprise and the Promotion of Both Individual Initiative and a Proper Caution in the Use of Borrowed Capital or Taxpayers' Money.

Never before has there been such need for large quantities of investment capital. The estimates for immediate needs in this country alone are put at 40 to 50 billion dollars. The needs for investment capital in foreign countries are much greater than in this country. First there is the need for rehabilitation of the war-torn areas; the needs for capital in the older countries that have not kept pace with modern progress would seem to be second; and third, the demands for capital in the newer and lesser developed areas such as South America, Africa, Australia and other countries, whose growth is held in check for want of capital and modern productive methods on a larger scale than in prewar years.

Dr. Ivan Wright

Where Will All This Capital Come From?

After the First World War the investors in the United States supplied our own needs for capital and lent generously to the whole world. Interest rates were attractive both here and abroad. The investors and the managers of investment accounts have before them very good records of the experience of the past 25 years. The evidence should create caution and call for careful study of every investment issue proposed.

Are the opportunities for investors in the immediate future any less attractive than after

(Continued on page 2747)

With First Cleveland Corp.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—**Joseph M. Streifender** is with the **First Cleveland Corp.**, National City Bank Building. He has recently been serving in the armed forces.

Cunningham Returns to Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, announces that Captain Francis J. Cunningham, having been released from active service after 2½ years overseas, has returned to the firm. He will be in the Trading Department of the New York office.

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Central Republic Co. Opens Cleveland Office
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CLEVELAND, OHIO—Central Republic Company, Inc., has opened a new branch in Cleveland. Associated with the new office is Harry Conners, formerly for many years with Otis & Company in charge of the municipal department.

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Business Man's Bookshelf

Manual of Procedure Under Government Contracts — fourth edition—providing otherwise unobtainable information of value to firms interested in or now supplying goods or services to the Federal Government. — Fidelity and Deposit Company of Maryland, Baltimore, Md. — paper—free.

Bank Human Relations — A Study of Modern Bank Personnel Policies and Practices—New York State Bankers Association, 33 Liberty Street, New York 5, N. Y. —paper.

Labor Policy of the Federal Government—Harold W. Metz—The Brookings Institution, Washington, D. C.—paper.

Labor Savings in American Industry 1899-1939—Solomon Fabricant—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—50c.

Taylor and Lucas With Sutro & Company

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Howard L. Taylor and John J. Lucas have become associated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges and other exchanges. Mr. Taylor was formerly a partner in Eastland, Douglass & Co. and prior thereto was an officer of Sargent, Taylor & Co. Mr. Lucas was formerly a partner in Walston, Hoffman & Goodwin and Eastland, Douglass & Co.

Thomas K. Wright Joins S. R. Livingstone & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Thomas K. Wright has become associated with S. R. Livingstone & Co., Penobscot Building. In the past he was in charge of the municipal department for Watling, Lerchen & Co.

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Public Utility Securities

Niagara Hudson Power

Since the new integration plan of Niagara Hudson Power Corp. and its sub-holding company, Buffalo, Niagara & Eastern, was submitted to the SEC (following settlement of the fight between various security groups) on July 16, 1945, changes in the system set-up have been carried out with amazing speed. Neither the SEC nor the New York Commission have apparently interposed any objections to the new plan and the legal work has been rapidly consummated, so that the program is now well along toward completion. Possibly tax savings were a factor in effecting consummation of the principal features of the plan in 1945.

The new plan provided for complete retirement of the controversial B. N. & E. P. $1.60 (2nd) Preferred stock at the call price of $26.25 plus dividend arrears, which has already been done. The company was merged Nov. 1 with certain subsidiaries (Buffalo Niagara Electric, Lockport & Newfane Power & Water Supply, and Niagara, Lockport & Ontario Power), retaining the name Buffalo Niagara Electric. The 1st Preferred stock has been exchanged for a new 5% issue, with the arrears on the old stock paid off at the time of exchange. The new company took over the bonded debt of the merging companies and has filed a refunding program with the SEC, proposing to issue $56,929,000 new 1st Mortgage bonds to refund five issues of the former subsidiaries. The new 5% preferred will also be refunded, perhaps in January.

The new company's common stock will all be owned by the parent company, Niagara Hudson Power, which has put up the $63,000,000 cash necessary to retire the $1.60 Preferred. Niagara has sold some of its miscellaneous holdings and obtained a $40,000,000 bank loan which will later be liquidated through partial sale of the common stock in the new company. Niagara is also reducing the par value of its own common stock to $1 a share in order to permit an adjustment of surplus and take care of certain write-offs which were demanded by the FPC several years ago (resulting in the series of events which led up to the present reorganization). This adjustment will permit clearing off arrears on Niagara's two preferred stocks and open the way for payment of dividends on the common. Eventually the preferred stocks may be eliminated.

Buffalo, Niagara & Eastern last year reported net income after 1st preferred dividend requirements of $5,478,000, which under the present tax law would be increased by about $700,000. The Niagara Falls Power 3½s will probably also be refunded in 1946 on about a 2¾% basis, it is estimated. The two refunding operations will, it is thought, cut fixed charges about one-third, effecting a net saving after taxes of about $800,000. Assuming that B. N. & E. $5 Preferred is refunded on a 4% basis, there would be an additional saving of $350,000, less the 16% surtax or a net saving of about $300,000. The complete refunding program would, therefore, yield savings of $1,100,000.

Adding these savings and the tax reduction of $700,000 to the balance after the 1st Preferred dividends gives a figure of $7,278,000. However, this is after reservation of net income of subsidiaries amounting in 1944 to $1,476,000. It is thought that this item may be voided by the present changes; in any event it is substantially equivalent to additional net income. Adding this amount gives a balance of $8,754,000 for the new common stock, all held by Niagara Hudson. Since the new Buffalo Niagara Electric is an operating company with sound capital structure, the common could probably be capitalized at around 15 times earnings which would afford a value for Niagara Hudson of about $130,000,000. Thus it would probably be necessary for Niagara Hudson to sell only about one-quarter of its holdings to pay off the bank loan.

However, the SEC order required sale of **all** of the new stock, presumably by Nov. 1, 1946. Unless this is modified, the sale will yield Niagara Hudson an estimated $90,000,000 in excess of the amount required to pay off the loan. These proceeds might be used to retire Niagara Hudson's 1st and 2nd preferred stocks with their arrears. At the end of the year call prices and arrears on

(Continued on page 2770)

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Might Versus Right!

By ORVAL W. ADAMS*

Executive Vice-President, Utah State National Bank, Salt Lake City, Utah.

Asserting That a Rash of Strikes Is Breaking Out Throughout the Country, Mr. Adams Ascribes It to the False Hitlerian Principle That Might Makes Right. Says We Cannot Expect to Suppress Aggression Abroad While We Permit It at Home, and Contends That Labor Unions Under the Law Are Permitted to Use Violence and Force as a Test of Power as Against a Test of Liberty and to Violate Written Contracts With Impunity. Urges Revision of Law Which Will Place Employer and Employee in a Position Where True Collective Bargaining in Good Faith Is Possible.

With the rash of strikes breaking out all over the country, initiated by labor leaders seemingly unconscious of doing any wrong, and apparently acquiesced in by the great body of the public, the question is raised as to whether we are really conscious of the principle underlying such actions.

Orval W. Adams

I strongly suspect that we are not, for I cannot believe that we would before a World Court be seeking to establish the principle that conspiracy to wage an aggressive war is an international crime and at the same time consciously acquiesce in the use of force at home.

I believe it is time to stop and think:

Looking back on 50 years of research and experiment, of work that has so richly contributed to our comfort, security and enjoyment, C. F. Kettering formulates the rule that "a problem accurately stated is half solved."

Apply that to the matter of labor relations and we are brought face to face with the fact that we must first recognize the basis on which strikes are called before we can attempt a solution to the most serious problem confronting the country today.

Power and Right

Strikes are called on the elemental principle that if you have the power you do not need to be right. In other words, that "might makes right." That is what Hitler taught and what we fought a war to refute.

There is an uncomfortably close resemblance between Hitler's charges against Poland when invading Poland, and Reuthers charges against General Motors when attacking that company, and a like uncomfortably close resemblance between Hitler's "take it or leave it" demand on Czechoslovakia and Philip Murray's demand on United States Steel, which he said was not subject to "dickering or compromise." Law is intended to insure that might shall not prevail over right. In the past, when might was found being used to prevent right a legal remedy was provided. Thus successively blacklisting, rebating by railways, underselling to drive out competition, limitations on resale prices even of patented ar-

(Continued on page 2789)

*An address by Mr. Adams before the Utah Automobile Dealers Association at Salt Lake City, Dec. 6, 1945.

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GEORGE K. COGGESHALL

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HAROLD C. STRONG, JR.
LIEUTENANT COMMANDER, U. S. N. R.

DECEMBER 5, 1945.

We are pleased to announce that

CECIL P. YOUNG
(Lt. Colonel Army Air Corps)

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Real Estate Securities

The action this week by the Office of Price Administration (OPA) in approving higher ceiling rents for a large apartment projection will in all probability stimulate new construction.

The case involved was a 114 apartment project to be erected in White Plains, New York, by R. M. Dinsmore & Co., Inc.

The new ceiling allowed by OPA will be slightly less than 20% higher than ceiling rents presently enjoyed by current buildings.

Estimates of the cost of new construction are about 35% to 40% higher than the cost of construction in 1941.

The 20% increase in income should for all practical purposes compensate for the higher cost of construction and should encourage new building.

Now that many real estate bonds are selling near par, we would suggest caution in the selection of these securities in view of the probable competition of new buildings in the next few years.

This applies mainly to residential properties inasmuch as the insurance of a fixed income from this type of property is only stabilized for a short time (usually leases for apartments are made for a one or two year duration).

In determining the stability of income of an office or loft building, a different yard stick may be used. (It is not unusual for leases in this type of property to be made for as long as five years in advance.)

. . . We again wish to offer the advice that in order to receive the full benefit of the rise in the real estate securities market, it would be desirable to select bonds which carry with them a share in the equity represented by stock.

. . . Several reorganizations are still taking place because of expiring mortgages and the inability of refinancing. Latest announced was 322—8th Avenue this week.

Jas. Burns Returns to Harris, Upham

Harris, Upham & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce the return as a partner of Lt. Colonel James F. Burns, Jr., recently released to inactive duty after a three-year leave of absence from the firm. He will be in charge of the Bond and the Over - the - Counter departments. Col. Burns is a former president of the Association of Stock Exchange Firms.

H. W. Byrne Rejoins F. M. Mayer Staff

F. M. Mayer, 30 Broad Street, New York City, announces that Henry W. Byrne has been released from active duty with the armed forces and is again associated with him.

McCarley Forms Own Firm

ASHEVILLE, N. C.—John N. McCarley, Jr. has formed McCarley & Co. with offices at 2 Wall Street to engage in the securities business. Mr. McCarley, who was on active duty with the U. S. Army Air Forces from June 1942 until September 1945, was formerly with McAllister, Smith & Pate.

Commercial Bank Installment Credit Plans

By DR. CLYDE WILLIAM PHELPS
Department of Economics and Commerce
University of Chattanooga

Dr. Phelps Recounts the Progress Made by Commercial Banks in Direct Installment Financing Under the Influence and Aid of the American Bankers Association. Describes Post-War Plans for Handling Installment Sales Paper, and Points Out Advantages and Disadvantages of the Bank Credit Time Payment Plan, Whereby the Banks Lend Direct to the Installment Buyer. Tells of Syndicates of Local Banks for Cooperative Handling of Installment Credits and the Bank-Agent Plan, Whereby Insurance Agents Act for Banks in Procuring Installment Paper. Shows Installment Financing Is Being Extended to Payment of Hospital and Medical Bills and Concludes That Consumer Loan Field Will Expand Enormously With Consumers Literally Swimming in a Sea of Credit.

Commercial banks and trust companies, registered under Regulation W in 1941 and holding at least some consumer installment paper or loans, number about 12,586. The number having consumer credit, or personal loan, departments and actively engaging in consumer installment finance was substantially smaller. According to a recent report, based upon over 11 thousand returns from a questionnaire survey of more than 14 thousand banks, about 10,600 banks will be actively engaged in some phase of consumer installment finance after reconversion.

Dr. C. Wm. Phelps

It appears that at least 90% of the commercial banks will actively compete in consumer installment lending in the years just ahead as compared with about 70% in the immediate prewar period. Banks already in the field will attempt to extend their operations because most of them have found it profitable, and their experience is expected to cause many other banks new to the business to participate. In a number of cases, the banks have secured managers of offices of sales finance companies or small loan companies or officers of local industrial banks and placed them in charge of the banks' new consumer credit departments.

The number of commercial banks planning to make consumer installment loans is much larger in all phases of this business than

(Continued on page 2755)

Hallgarten Appoints London Representative

Hallgarten & Co., announce that Hugo W. M. Fleury, who has been associated with Helbert Wagg and Company, Ltd., for over twenty years, has joined the firm as its London representative at 1 & 2 Great Winchester Street.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

The Membership Committee of the National Security Traders Association for 1945 1946 consists of: R. J. Glas, Glas & Crane, New Orleans, Chairman; Ewing T. Boles, The Ohio Company, Columbus, Ohio; George Lestrange, Moore, Leonard & Lynch, Pittsburgh, Pa.; Cecil W. Weathers, City Securities Corp., Indianapolis, Ind.; Herbert Pettey, Equitable Securities Corp., Nashville, Tenn.; W. R. Newsom, Jr., Sanders & Newsom, Dallas, Texas; J. C. Phillips, Pacific Northwest Co., Seattle, Wash.; Ludwell A. Strader, Scott, Horner & Mason, Inc., Lynchburg, Va.

First California Adds Lawrence, Others

LOS ANGELES, CALIF.—Walter E. Lawrence, Thomas J. Edwards, Donald W. Mansfield, and Harrison E. Middleton have become associated with the First California Co., Incorporated, 650 South Spring Street. Mr. Lawrence was previously with Merrill Lynch, Pierce, Fenner & Beane, and Kaiser & Co. Mr. Edwards was with William A. Lower & Co., and Mr. Middleton with Hartley Rogers & Company.

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The Wheeler Bill on Future Railroad Reorganizations

By ELISHA M. FRIEDMAN

Consulting Economist Suggests Amendments to Provide That Junior Bonds Be Convertible, Thus Reducing in Prosperous Years the Percentage of Debt to Capitalization. He Urges That Present Railroad Reorganizations Be Included Under the Bill, Because So-Called Worthless Stocks Have Been Showing Earnings Up to $40 per Share, After Paying Excess Profits Taxes as High as $130 per Share. Notes That ICC Now Admits That It Is "Deeply Sympathetic With Attempts to Allow Present Stockholders a Continuing Interest," and That a Federal Court Cites "Injustice to Stockholders and Need for Corrective Legislation." He Approves Commissioner Miller's Suggestion to Give Old Stockholders Deferred Stock or Option Warrants. Mr. Friedman Recommends Either Amending the Wheeler Bill to Include Features of the Hobbs Bill, or Else Passing the Hobbs Bill First, to Prevent Wiping Out Stocks Showing High Earnings.

I.

A measure to avoid railroad bankruptcy in the future could be helpful. The convertible bond should be the keystone of such financial reform.

Elisha Friedman

Convertible bonds are an old device that should be used in a new and broader way. The ICC might decide that railroad bonds must not exceed, say 33 to 40% of the total capitalization. **All junior bonds above this limit should, under S. 1253, be refunded into convertible bonds.** The conversion prices should be staggered on a scale up, so as not to be self-defeating. When the stock rises, the bonds would be converted into stock and would disappear. Their fixed charges would cease. Such bonds, with a speculative option, could be easily sold. The stock would not be subject to any strangling amortization charges and therefore could pay good dividends, and be attractive to the investor and be a medium to finance expansion and improvements. If this method had been in effect in the 1920s, reorganization, bankruptcy and receivership probably could have been avoided for most of the 19 major roads now in the courts.

Stocks which have been declared worthless, sold above par or 100. At these levels, convertible bonds would have disappeared. Frisco sold as high as 102 and 135 in the years from 1925 to 1930. St. Louis South Western sold as high as 115 and 124 in 1928 and 1929. Rock Island sold as high as 116 to 125 between 1927 and 1930. New Haven sold as high as 129 to 132 in 1929 and 1930.

Therefore, the **Wheeler Bill, S. 1253, should be amended so that all bonds above 33% to 40% capitalization, be required to be convertible into common stock.** Bonds should not be called in order to avoid conversion.

The bill should be further amended to prevent the wiping out of common stock. This provision is doubly important in view of the recent experiences of stockholders of railroads in bankruptcy, particularly since **the courts have**

(Continued on page 2780)

Raw Material Supplies And Prosperity

By WILLIAM L. BATT*

U. S. Member, Combined Raw Material Board
U. S. Deputy Member, Combined Production and Resources Board

Mr. Batt in Pointing Out Our Present and Future Raw Materials Position and Our Need for Foreign Supplies, Calls Attention to Lack of Cooperation in International Field to Facilitate Trade and Alleviate Dangerous Uncertainties. Warns That We May Find Ourselves in Same Position as Britain if We Follow Practices That Hamper Production and Incentives to Capital Investment for Reducing Manufacturing Costs. Scores Movement for Excessive Wages and Says We, Like Most Other Countries, Are Concerned With Expanded Two-Way World Trade. Says American Management Has Been Willing to Provide Better Facilities for Lower-Cost Production and Praises American Workers' Technical Skill.

W. L. Batt

It seems unlikely that one of the two preceding speakers will not have made some reference to that cataclysmic contribution of technology to world politics and economics—the atomic bomb. It does not seem to me to be an overstatement that never before in the history of mankind has technology brought forth so dramatic a challenge to the intelligence of man: never before has man's useful accumulation of knowledge, painfully acquired over the centuries, been so gravely endangered as it is today. These things about which we are talking today seemed important, and indeed vital to us, a few short months ago. Today they seem to me almost trivial and inconsequential.

Yet hope springs eternal: God grant that world wisdom may be found to remove this menace and again permit men to consider, in comparative safety at least, subjects like these assigned to me that have been, and may still be, of more than passing significance.

It has been my rare privilege through this period of national emergency to work in the area of materials and production for defense and war, and for much of that time in the international field. The inter-dependence of nations on each other, the degree to which the assets of one were the liabilities of another, was borne in on all of us from day to day. Successful war could not have been waged by any one of these United Nations alone: together they assembled a mighty force for freedom. As a result of this extraordinary experience, I have gained a special respect for raw materials and our dependence on them.

*An address by Mr. Batt before the Society for the Advancement of Management, New York City, Nov. 30, 1945.

(Continued on page 2782)

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NOTE—*From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 109 of a series.*

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By MARK MERIT

At Schenley Laboratories, Inc., one of our subsidiaries, a new thrill always awaits one. The most recent one must be labeled AA-1. It belongs in the same category with the thrill we experienced when we saw our "men in white" labor, heedless of clocks or watches, to develop a process for the mass scale production of Penicillin-Schenley. And now there's a new wonder drug, just around the corner, which successfully combats certain germs which Penicillin and other previously known drugs, failed to destroy. Its name is *Streptomycin.*

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So far, our researchers are making it only in very small quantities, which are distributed to a few medical scientists for use in carefully selected cases. But these "men in white" are working diligently and zealously in our laboratories, as are other scientists in other laboratories, to develop a process for quantity manufacture of Streptomycin so that it will be available, eventually, for the treatment of thousands of patients.

The late war against the destroyers of human liberty is over. In many lands today, doves are beginning to fly where vultures flew before. But the battle of the scientists goes on—and the uniforms of the battlers are different. Their coats are *white* instead of olive drab or blue.

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Business Booms and Depressions —Since 1775—Comparative chart of price trends, national income, federal debt, business activity, etc. —Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Insurance and Bank Stocks—Ready reference table giving comparative figures—White & Company, Mississippi Valley Trust Building, St. Louis 2, Mo.

New England Company — Analysis of company established in 1852 on which there are arrears on the 5% $100 par preferred stock of $67.50 and interesting recent earnings range per share after taxes—ask for analysis M. C. P.—Raymond & Co., 148 State Street, Boston 9, Mass.

Philadelphia Transportation—Highlights of current situation—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Wall Street Commentator—Digest of current events in the financial markets of North America, with reviews and analyses of specific situations appearing to offer exceptional investment and/or profit possibilities — Bennett, Spanier & Co., Inc., 105 S. La Salle Street, Chicago 3, Ill.

American Bantam Car Co. — New report and comment—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2. Mich.

American Service Co.—Circular —Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Arden Farms—Late analysis—also memoranda on **United Light & Railways** and **Queensborough Gas & Electric Co.** 6% preferred—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Automatic Signal—Circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

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Boston & Maine Railroad—circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

Chicago Railway Equipment Co. —Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle St., Chicago 4, Ill.

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Oregon Portland Cement.**

Consolidated Gas Utilities and The Chicago Corp.—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Consolidated Rock Products Co. —Special report—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries; Alabama Mills, Inc.; American Hardware; Douglas Shoe; TACA Airways; American Window Glass; Michigan Chemical; Lawrence Port. Cement; Oxford Paper; United Artists Theater Circuit; and Purolator Products.**

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

Franklin County Coal—Analysis of condition and post-war prospects—F. H. Koller & Co Inc., 111 Broadway, New York 6 N. Y.

Gro-Cord Rubber — Recent analysis—Caswell & Co., 120 South La Salle Street, Chicago 3 Ill.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.; Red Rock Bottlers**, and a new analysis of **Panama Coca-Cola.**

Johnson Automatics — Descriptive memorandum on low-priced building stock—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also detailed circulars on **Fashion Park, Shatterproof Glass**, and **Wellman Engineering Co.**; and reports on practically all **Real Estate** issues in New York City.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Pittsburgh Railways, Simplicity Pattern Co., Inc.**, and **Locomotive Firebox.**

Magnavox Company—Report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Midland Realization and **Midland Utilities Common** — Revised bulletin—Doyle, O'Connor & Co. Inc., 135 South La Salle Street, Chicago 3, Ill.

The Miller-Wohl Company, Inc.—circular on this operator of a chain of retail stores selling popular-priced women's and children's apparel—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Monroe Auto Equipment Company—Report on the outlook—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

National Radiator Co.—Analysis, for dealers only—**G. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

New England Lime Co.—Brief study of leverage possibilities—Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

New England Public Service Co. —Memorandum — Daniel F. Rice and Company, 14 Wall Street, New York 5, N. Y.

Northern Engineering Works—Circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

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Also memoranda on **Bowser, Inc.** and **Midland Utilities.**

Rudolph Wurlitzer Company—Earnings outlook and financial position—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation** 350 Fifth Avenue, New York 1 N. Y.

Stokely-Van Camp, Inc.—Study of current situation and structure —Penington, Colket & Co., 70 Pine Street, New York 5, N. Y. Also break-up values of **United Gas Improvement Corporation.**

Texas Utility Company—Analysis—Rauscher, Pierce & Co., Inc. Mercantile Bank Building, Dallas 1, Texas.

Wellman Engineering Co.—circular—Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y

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Andrews Associated With Brailsford Co.

CHICAGO, ILL.—Clyde H. Andrews has become associated with Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange, it is announced. Mr. Andrews was recently with Sincere & Co. and in previous years was executive vice president of McGraw & Co.

James Ahern Dead

James M. Ahern, manager of the trading department of Glore, Forgan & Co., 135 South La Salle Street, was killed when he was struck by a taxicab on Nov. 27. Mr. Ahern had been associated with the firm's New York office for a number of years, prior to going to Chicago.

Maher & Hulsebosch Formed in New York

Announcement is made of the formation of Maher & Hulsebosch with offices at 62 William Street, New York City, to act as brokers and dealers in investment securities, also specializing in Canadian and domestic mining issues. Partners are John W. Maher and Gerard F. Hulsebosch. Mr. Hulsebosch was formerly a partner in Hawkes & Co., prior thereto he was manager of the trading department for Hunter & Co., was principal of Dimpel, Hulsebosch & Co. and production manager for Gruntal & Co. In the past he was with Edward A. Purcell & Co. and F. L. Salomon & Co. Mr. Maher has specialized in mining securities for twenty-five years, and was recently with Hunter & Co.

Gerard F. Hulsebosch

Donald Young & Co. Opens in New York

Donald Young & Co., 40 Exchange Place, was formed Dec. 1, to conduct an investment security business. Principles of the firm are Captain Donald Young and Harry K. Greenfield.

Captain Young is on terminal leave from the United States Army, having served three years with the Eighth Air Force in England. Prior thereto he was with J. R. Williston & Co. Mr. Greenfield was formerly with Luckhurst & Co.

Associated with the new firm is Herbert Lax in charge of the Trading Dept. Mr. Lax has been for the last eight years with Luckhurst & Co.

Luke H. Rose & Co. to Be Formed; NYSE Firm

Luke H. Rose and Robert J. Jacobson, both members of the New York Stock Exchange, will form Luke H. Rose & Co. with offices at 39 Broadway, New York City, as of Dec. 7. Mr. Rose in the past was principal of Luke H. Rose & Company. Mr. Jacobson was a partner in Benjamin Jacobson & Co.

Diamond, Turk Co. Admits

Diamond, Turk & Company, 30 Pine Street, New York City, members of the New York Curb Exchange, admitted W. T. Wuestehube to partnership Dec. 1. Mr. Wuestehube, a Curb member, has been active as an individual broker.

Valentine Rejoins Firm

CHICAGO, ILL.—Lt. Commander John W. Valentine has been released from service and has rejoined Harris, Hall & Company, 111 West Monroe Street, as Vice-President and Director.

Kenyon Is Slayton V.-P.

CHICAGO, ILL.—Robert E. Kenyon has become associated with Slayton and Company, 135 South La Salle Street, as Vice-President.

Capt. F. Channer Back

CHICAGO, ILL.—Capt. Frederick W. Channer has resumed his duties with Channer Securities Company, 39 South La Salle Street.

Prospective Cost of Government in United States During 1947-1951

By A. S. POUCHOT
Comptroller, Lee Rubber and Tire Corporation

Corporation Financial Executive Appraises the Prospective Costs of Government and the Resulting Drain on the National Productivity. Predicts a Continuing Upward Trend in Federal Outlays Which, at 25% of the Annual National Income, Cannot Be Extracted From a Flourishing Economic Body. He Lists the Probable Military Costs, the Interest on the Public Debt, Unemployment Relief, Aids to Agriculture, Public Works, Veterans' Benefits, and World Rehabilitation; Whose 1947-1951 Total He Estimates as Averaging About $34 Billion Annually. He Likewise Predicts Increases in Local Government Expenses. Avers That Historically the U. S. Is Pursuing a Fiscal Course in the Classical Fashion of Those Nations Embracing Monetary Troubles of a Severe Nature.

The end of the active hostilities in the second great world war cannot but raise much speculation on the cost of government and the consequent taxation to support such cost of government.

A. S. Pouchot

There exists a general expectancy of great governmental activities in all present domains and even extended ones. There are expressed opinions for great armed forces, a large army at home and in garrisons abroad, compulsory general military conscription of all youths, a large and powerful navy, fortified strategic bases neatly disposed about the entire world. There is an agreed intention to provide all with work or relief, to secure, insure and assure the common wellbeing by measures and proposals which flood magazines and journals in a common vein of governmental invocation to multitudinous tasks which involve outlays of large sums of money.

Yet with all this widening of the stream of governmental flow and all this rise of governmental costs there is an expectancy of great decline in taxation now that the actual noise of battle has subsided. A revenue of $15 to $22 billions for normal years is assigned as a proper need for the Federal Government; lately this has been increased in some quarters to $25 billions.

It is thus most fitting and interesting to appraise the prospective costs of government in the years just ahead to ascertain the probable levels that may be expected and what drain upon the productivity of the country such governmental expenses are likely to entail.

For, having reached expenditures of $105 billions per annum for the Federal Government and nearly $10 billions for State and local government, it is most evident that a reduction to $20 billions for national and less than $10 billions for State and local government will involve a tremendous exercise of compressing power.

The Trend of Governmental Costs

The cost of government in the United States has been one of mounting proportions to the national income and at accelerating speed. The Kings of England imposed such costs as to take 2% of the then national income and the early Republic could do no less despite the incidence of taxation being one of the causes of conflict. By 1860 the cost of government was still less than 5% of the national income and in 1913 it was still only 5.9%. The increase thereafter has been abrupt, indeed.

The present spending of $105 billions per year by the national government and above $9 billions by the State and local governments is some 70% of the national income of $165 billions.

With a return to peace and hoped for normal spending of $20 billions by the national government and, say, $10 billions by other government, the total cost of $30 billions would be some 25% of an annual national income of $120 billions and 20% of an income of $150 billions.

It may be said here that governmental costs of 25% of the national income, in the present productivity of men, is above the margin which can be extracted from the economic body and still leave the body to flourish. For it is dubious if this point of assured well-being will permit much above 15% to 18% being drained away from the income in governmental costs over an extended term of 30 to 40 years. The limits of taxation for a ten-year period are probably not above 22% to 25%, with considerable decline in the national economy becoming likewise apparent by the end of such decade.

Certainly, therefore, even the lowest levels from the expressions of greatest hope in the prospect of governmental costs come close to trammelling up the consequences and to catch success of an uncertain quality.

Yet it is to be seen that the expression of government has been of rising activities and surging costs throughout and that for 15 years it has not met the costs through taxation. Of late years it has had deficits by a great margin.

To meet the costs of the war, reaching $105 billions a year, the national government collected

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Surrendered Liberties

(Continued from page 2699)

number more than a few who, in the first instance, were responsible for its passage.

The Securities Acts now in force are reminiscent of these general plans.

When they came into being we were led to believe that they were purely emergency measures to cope with the then existing conditions. We venture to say that there are multitudes of us who never dreamed that the progressive restraints which, from time to time, were being imposed upon the securities industry by the Securities and Exchange Commission, were a permanent feature that had come to stay.

We expected, and we had a right to expect, that when the alleged emergency would be over, some controls would be wholly removed, and others considerably relaxed.

Instead there has been an unabated reaching out for additional power in which the highlight was the Maloney Act.

Now the Securities and Exchange Commission can use and does use the **National Association of Securities Dealers** to pull its chestnuts out of the fire, and then, without making any public disclosure of these interlocking activities, the former ostensibly sits in impartial review, on occasions, of the acts of the latter, which acts may in fact be the acts of the former as well.

Are we being fair? We have but to be reminded that when openly challenged on the "5% spread interpretation," the Commission took refuge in silence. When it was suggested that the Commission had a hand in the formulation of the recent NASD by-law amendments, again no declaration of the facts could be obtained from the Commission.

We have the strongest feeling that a legislative investigation of the coeval activities of both these regulatory bodies would make it plain that this persistent silence where there is a duty to speak, is caused by machinations which are purposely being screened from public view.

The occasions have been numerous upon which we have described the piece-meal annihilation of trade custom and usage through so-called rule making powers, despite the fact that these regulatory bodies are not authorized to legislate.

To the reluctance to "stick one's neck out," to fear of reprisals, we ascribe the fact that a much more militant and courageous fight is not being made for freedom from many of these supernumerary controls.

The most brazen invasion of free enterprise made to date was the recent NASD amendments, authorizing by-laws which would control "profits, commissions, and other charges" and which require registration of salesmen, traders, etc., etc.

At the rate that the fetters are being applied, there is no forecasting where all this will end.

With the termination of the war emergency, we have a right to look forward to the government's relaxing its participation in business. However, in the securities field, if anything, the grasp of government is being increased rather than relaxed. So much so, that each day doing business becomes more costly and more burdensome, characterized by more registration, more reports, and more questionnaires. Simplicity has ceased to be.

The trend is ominous.

The securities field may well become a forerunner of equally onerous control in all other industries.

Safety can be purchased only by resistance.

Militant leadership is the crying need of the hour.

Our forefathers knew how to "stick their necks out." They opposed tyranny with courage. They were the benefactors who gave rise to the free institutions forming the basis of our fame.

There is a tyranny presently presiding over the destinies of dealers in securities.

Their liberties continue to fade.

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Pennsylvania Brevities

U. G. I. to Exchange Portfolio Securities

Directors of United Gas Improvement Co. have voted in favor of a plan to exchange certain portfolio securities for outstanding U.G.I. common. Preliminary discussions have taken place with the staff of the SEC, with whom the plan will later be filed.

As presently contemplated, the offer will consist of a "bundle" made up of U.G.I.'s holdings of American Water Works & Electric Co. common, Commonwealth & Southern common, Niagara Hudson Power second preferred and common and Public Service of New Jersey common. The plan supersedes a less comprehensive program considered last summer which involved an exchange of securities only between U.G.I. and its parent, United Corp.

It is proposed that holders of U.G.I. common may exchange their stock, in multiples of ten shares, for a corresponding number of "bundles," each comprised of one share American Water Works & Electric, 12 shares Commonwealth & Southern, one share Niagara Hudson Power 2d preferred, 10 shares Niagara Hudson common and one share Public Service of New Jersey. At present, the market price of the "bundle" approximates the market price of ten shares of U. G. I. Should there be any material market divergence at the time of consummation, a cash adjustment may be provided.

United Gas Improvement intends to retire the common shares received in exchange when and if the plan is consummated.

* * *

Pittsburgh Consolidation Coal Co.

With assets in excess of $100,000,000 and working capital of about $29,000,000, the newly merged Pittsburgh Consolidation Coal Co. becomes the nation's largest producer of bituminous coal.

Formal organization was perfected last week. The Company's 15-man board of directors is headed by Chairman Robert C. Hill and President George H. Love. Other officers elected: A. K. Oliver, Chairman of the finance committee; James B. Morrow, First Vice-President; George W. Kratz, Vice-President, and C. E. Beachley, Secretary and Treasurer.

The company owns and operates 43 mines in Pennsylvania, West Virginia and Kentucky with aggregate reserves estimated to be in excess of one and a quarter billion tons. Current production is at the rate of 20,000,000 tons annually. An additional 6,000,000 tons is produced by lessees. There are 16,000 employes.

Capital structure consists of an authorized issue of $20,000,000 deb. 3½s, 1965, of which about $14,500,000 will be issued in exchange for stocks of the old companies. Stock consists of a single class of common, par $1. Of the 2,320,000 shares authorized, 1,932,000 will be presently outstanding.

* * *

Edward G. Budd Manufacturing Company

Fortified with a current backlog of approximately $108,000,000 in unfilled orders, Edward G. Budd Co. management states it is looking forward to an annual business of about $150,000,000 per year. Operations for the current year are expected to gross about $75,000,000. Terminatioon of war contracts, reconversion factors and strikes in the automobile industry have tended to restrict 1945 results. However, shipments of automobile body assemblies and parts for manufacturers other than General Motors and Ford are expanding, as are production of railroad passenger cars and truck trailer bodies.

The company has actively entered into the designing and manufacture of sleeping cars, orders for 24 of which are in hand. Construction of 402 railroad passenger cars is also in progress.

* * *

Philco Corp.

According to Thomas A. Kennally, Vice-President in charge of sales, Philco Corp. has orders of $110,000,000 for the 1946 line of radio receivers, radio phonographs, refrigerators, freezers and air conditioners. Distributors were asked to limit themselves to minimum quantities required and to take orders for delivery only up to June 30, 1946. Orders accepted for the first six months are 43% greater than for the entire year 1941 in which Philco did a peak civilian business of $77,073,636.

* * *

Scranton Electric Co. common stock, now wholly owned by American Gas & Electric Co., is expected to be made available to the public through distribution following competitive bidding in accordance with the parent company's divestment plan.

American Gas & Electric's holdings of Atlantic City Electric Co. common stock will also be sold. The holding company will be permitted to retain its so-called central properties which stretch from West Virginia to Indiana and Michigan, but which are physically interconnected.

* * *

Twenty-eight eastern and central Pennsylvania counties served by the Pennsylvania Power & Light Co. face a serious shutdown of power output as the result of a 3-union jurisdictional row. The dispute involves an independent union, the Utility Workers Union (CIO) and the United Mine Workers. The company states that it cannot negotiate with any union until a qualified bargaining agent is designated. The NLRB has ordered an election within 60 days to determine which union shall be so designated.

* * *

Acting upon the petition of eight New York bondholders, Judge Nelson McVicar has ordered an examination into the affairs of the Pittsburgh Railways Co. system with particular reference to its relationship with Philadelphia Company. The petitioning security holders maintain that the obligations of Pittsburgh Railways and its subsidiaries are, in fact, the obligations of Philadelphia Company which owns all of Pittsburgh Railways stock and a majority of the outstanding securities. They point out that if the Philadelphia Company would subordinate its holdings, a satisfactory reorganization could be speedily effected. It has been ordered that the Securities & Exchange Commission and any creditors of the debtor are to be permitted to participate in the examination of witnesses.

* * *

In pursuance of a plan of internal simplification, holders of 96.7% of Wawaset Securities preferred stock have agreed to exchange their holdings for common. Wawaset Securities owns slightly over 50% of the outstanding common stock of Warner Company, a Philadelphia company producing and distributing sand, gravel, central-mix concrete, lime and limestone products. The balance of Wawaset preferred will probably be retired at an early date. Later on, it is expected that Wawaset will distribute its holdings of Warner common to its stockholders and dissolve.

* * *

Philadelphia & Western Railway has been directed by Federal Judge Kirkpatrick to pay an additional $11.50 on each $1,000 principal of its $2,627,000 first mortgage bonds. This will bring to $116.50 cash bondholders will receive in reorganization, plus $300 in new bonds and four shares of common.

* * *

A special stockholders' meeting has been called by directors of Tradesmen's National Bank & Trust Co., Philadelphia, for Dec. 12 to vote on an increase in capital shares from 181,500 to 199,650. If approved, directors will declare a 10% stock dividend.

Baier and Letford Are With Lewis C. Dick Co.

PHILADELPHIA, PA. — G. Clarke Baier and Richard S. Letford have become connected with Lewis C. Dick Co., 1420 Walnut Street. Mr. Baier was formerly an officer of A. T. McAllister Co., with which Mr. Letford was also associated as cashier.

Major Boenning Returns

PHILADELPHIA, PA. — Major Henry Boenning, son of the late Henry D. Boenning, has been released from the Army and has returned to his duties at Boenning & Co., 1606 Walnut Street, members of the Philadelphia Stock Exchange.

C. L. Wallingford at W. H. Bell & Co.

PHILADELPHIA, PA.—W. H. Bell & Co., 1500 Walnut Street, announce the association with them of Charles L. Wallingford in their Trading Department. Mr. Wallingford for the past twenty-one years has been associated with E. H. Rollins & Sons, Incorporated, in New York and Philadelphia.

Montgomery, Scott Co. To Admit G. A. Hardwick

PHILADELPHIA, PA. — Montgomery, Scott & Co., 123 South Broad Street, members of the New York and Philadelphia Stock Exchanges, will admit Gordon A. Hardwick to partnership in the firm as of Jan. 1.

W. J. O'Connor With Paine, Webber Firm

PHILADELPHIA, PA.—William J. O'Connor has joined Paine, Webber, Jackson & Curtis, Philadelphia National Bank Building, as manager of the trading department.

George Willis Trading For Allan N. Young

PHILADELPHIA, PA.—George Willis, absent from the Street during the war, is now on the trading desk for Allan N. Young & Co., 225 South 15th Street, Mr. Willis formerly was with W. H. Bell & Co.

Rejoins Gerstley, Sunstein

PHILADELPHIA, PA.—William Gerstley, 2d, has returned from the U. S. Army to rejoin Gerstley, Sunstein & Co., 213 South Broad Street, of which firm he is a member.

Seligman Lubetkin Co. Adds Two to Staff

Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City, announce that Irving J. Silverherz and Jerome Zuckerman have joined their organization. Mr. Silverherz is doing trading and research work. Mr. Zuckerman is in the statistical department. Both have just been discharged from the armed forces.

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Revising the Holding Company Act

By HON. LYLE H. BOREN*
U. S. Congressman from Oklahoma

Congressman Boren, Who Is Chairman of the House Sub-Committee on the Securities and Exchange Commission of the Committee on Interstate and Foreign Commerce, States That a Study Is Being Made to Revise the Holding Company Act. Predicts No Radical Changes, and Says That Work Will Be Done With Caution and Restrained by Judicious Care. Contemplates Constructive Improvement, "But Only to the Extent That Deliberate Care, Studious Research, Caution and Wisdom Clearly Dictate."

Today on LaSalle Street in Chicago the times are a far cry from the LaSalle Street of the old Board of Trade in the era of "Old Hutch," "Dapper Billy," and the picturesque Ed Partridge, and Everingham.

Lyle H. Boren

The abuses of the days of laissez faire are not entirely gone. Under restriction and regulation many of the old abuses remain simply wearing new raiment. The wrong and scandal are with us still, but the old swindles are out of style and modern up-to-date ones have succeeded them. They differ no more than milady's gown of 1882 differs from her beach suit of 1945.

In the old days it was Credit Mobilier and Teapot Dome. Today it is "Swindle Incorporated" and the "nonprofit" corporation.

America has approached its problems always with a realization that there is heart and brain enough in America to meet and solve them.

When first we founded a Government in this then new world, we recognized and announced the simple and evident truth that all just powers of Government are derived from the consent of the governed.

The first three words of the Charter that constitutes the American philosophy were—"We the people"—and the public interest has ever been the yardstick that both defines and limits each area and boundary of every act of Government.

Out of the particular problems of the public as investors have grown many acts of Government. Acts that have been altered to meet the tide of circumstances, the flight of progress, and the decrepitude of oboslescence.

It is to one of these, one of the great reform bills of the decade of the "30s," that I address myself. I speak of the Holding Company Act. It was, and is a sound and wholesome law. Experience has proven it to be one of the most salutary of the reform era.

While I claim it to be in its fundamental aspects wise and sound, I do not hold it to be a perfect instrument. A product of times and circumstances that ever change and alter, experience of necessity tests and trys it and discovers some elements of weakness and perhaps some elements of error.

To hold that any product of human minds, however great those minds might be, has attained a permanent perfection, free of fault or frailty, is an untenable position. I am sure the Securities Exchange Commission would not hold itself, like Ceasar's wife, in every act above reproach, nor make a finding of perfection for itself in all of its interpretations—if so, I herewith file a formal disclaimer to such a finding.

The Holding Company Act

The Congress in the form of the Securities Exchange Commission subcommittee of the great Committee on Interstate and Foreign Commerce has decided to review the Holding Company Act—to study it in the light of its operations—to examine it in the light of the realities of experience. We are examining it carefully, judiciously, without preconception or prejudice.

We are not on a hunt for faults to be found with the Act, and may even be better satisfied with the Act after this study. We are making a studious review of the Act.

It is fitting and our proper responsibility to do this.

The Holding Company Act has not been reviewed nor revised in the 10 years of its existence. The Interstate Commerce Act was reviewed and revised 17 times in its first 10 years.

All the major acts of Congress are properly frequently revised in the light of experience and to meet the public interest. Thus, and only thus, can we find the path of justice through all the winding ways of error, malfeasance, or deceit.

We have undertaken a task that

(Continued on page 2785)

*An address by Congressman Boren before the Investors League, Chicago, Ill., Nov. 29, 1945.

A. T. McAllister Is With Dixon & Co.

PHILADELPHIA, PA.—Albert T. McAllister has become associated with Dixon & Co., 1411 Chestnut Street, members of the New York Stock Exchange. Mr. McAllister was formerly head of A. T. McAllister Co., which has been dissolved.

V. F. Valdes Dead

Victorio Francisco Valdes, who at one time represented Salomon Bros. & Hutzler in Philadelphia but more recently headed the real estate firm of Valdes & Co., died at his home Nov. 27. He was 53.

Pennsylvania Municipals

Few in number and small in size constitutes an apt description of the continuing nature of the Pennsylvania new issue municipal market. Moreover, the outlook for any material betterment for the remainder of the current year is far from promising, judging from the current calendar of impending events.

As a matter of fact, the list shows only four Pennsylvania issues awaiting the market, with the initial operation to develop on Dec. 10, when officials of Bedford School District will open bids on $118,000 bonds. Prospective purchasers are asked to name a coupon rate of not more than 2%, and the bonds will mature serially from 1946 to 1963 incl.

On the following day (Dec. 11), the School District of Nether Providence Township wil award a loan of $315,000, with the bonds to be sold as not exceeding 1½s and to mature from 1946 to 1970. On Dec. 15 bids will be taken on $22,000 Plymouth Township not exceeding 3½%, due from 1946 to 1956 incl.

The fourth and final transaction presently in the offing will reach the market on Dec. 17, in the form of $239,000 Scranton School District bonds. In this instance, the coupon rate is limited to 2½%, while the tenure of the loan is from 1946 to 1955 incl.

It will be seen from the foregoing that, barring the appearance in the market of such potential prospects as Abington Township and Allentown School District, the chances are that little, if any addition, will be made to the present slim stock on dealers' shelves. The two aforementioned communities, it may be pointed out, are important candidates by virtue of authority granted by voters at the Nov. 6 elections to dispose of issues of $1,300,000 and $3,000,000, respectively.

In referring to the November bond election results, we are not unmindful, of course, of the action of the electorate of the Commonwealth in approving an issue of $50,000,000 for a program of public works. Actually, this was the largest single authorization of the hundreds of issues approved by voters throughout the country. However, the indications are that the Commonwealth will not be able to follow through on the voters' decision for some time.

This is evident in a report just received from Governor Edward Martin, who pointed out that none of the bonds can be sold until the Legislature passes an appropriate enabling act. As the lawmakers are not scheduled to convene until January, 1947, this would seem to effectively dim the prospects of any offering being made by the Commonwealth until after that date.

Earlier action would be possible, of course, in the event of some product of shortsighted bureau-emergency which necessitated a special session of the legislature, the Governor said.

* * *

In keeping with the general trend, the market for Pennsylvania municipals has been exceptionally strong in recent weeks, with price enhancement being an outstanding feature. City of Philadelphias have participated in the advance and in the past week or so they have been a trading favorite.

The city's long-developed plans to undertake a $42,000,000 sewage disposal construction program received a formidable boost in the recent decision of the Pennsylvania Supreme Court. The court upheld the city's authority to levy a sewer tax on business establishments and householders in order to finance the program, and, in effect, held that the existing and proposed sewer debts are self-supporting and exempt from constitutional debt limits.

The ruling, according to City Controller Robert C. White, will serve to give the city a constitutional borrowing capacity of about $50,000,000.

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Last Chance

"Tax saving is a powerful incentive in getting corporation executives started on a Trust," says **Distributors Group** in a current mailing on Employees' Profit-Sharing and Retirement Trusts. "And never again will this incentive be as powerful for many companies as in the next 30 days."

Elimination of the excess profits tax on Dec. 31, 1945, provides the urge to "get going" at once for those who are planning to develop this investment field.

* * *

Distributors Group also has made available to dealers an unusual and well presented booklet, "Selling as a Career." It is pointed out that the millions of returning veterans and released war workers will provide investment firms with a rare opportunity to expand their sales personnel.

These men will be diligently seeking out opportunities to start worth-while peacetime careers. Thousands of good men are becoming available every week, but on the whole they aren't going to look for a "selling" job. Recent surveys show that most of them are prejudiced against selling as a career.

"To get the best men, you will have to go after them. You will have to 'sell' them on the outstanding opportunities that exist in our business today."

"Better for the Widow"

Under this title, **Selected Investments Co.** presents an attractive and interesting brochure reviewing the eight prize-winning programs which resulted from a contest held by Barron's five years ago. Tables show the results of these programs and comparative figures are given for **Selected American Shares** during the periods under review.

It is pointed out that the Barron's programs roughly cover the difficult investment period of World War II—a period of great uncertainty and conflicting trends. Despite this fact, Selected American Shares shows an excellent record—providing "better income and better appreciation" than the Barron's programs.

Keystone Custodian Funds

Two **Keystone Funds, Series B-2** and **S-3**, have issued reports for the fiscal year ended Oct. 31, 1945.

During the fiscal year under review, total net assets of Series B-2 increased from $10,078,378 to $14,273,704, reflecting an increase of about 39% in the number of shares outstanding and a rise in the net asset value per share from $27.08 to $27.54.

Series S-3, during the same period, increased its net assets to $11,403,441 from $4,523,892, reflecting an increase of more than 86% in the outstanding shares of the Fund and an increase in the net asset value per share from $10.57 to $14.32.

Total assets of the 10 **Keystone Custodian Funds** as of Oct. 31 are reported to be in excess of $150,000,000.

Principle

Lord, Abbett, in a current Investment Bulletin on **Affiliated Fund,** discusses the principle followed in the management of the Fund's investments. This principle is called "value selection," which means that each issue selected for the portfolio must stand the thorough scrutiny of professional analysts on its own merits as an individual investment value.

The fact that this simple principle works, says the sponsor, "is attested to by the good record of this Fund during the period that this method has been in use." A chart is used to demonstrate the advantage of continuous value selection.

National Securities Series

The semi-annual report for the period ending Oct. 31, 1945, on **National Securities Series** is at hand. Total net assets of the nine Funds on Oct. 31, 1945, are reported at $34,418,671, as compared with $23,638,455 on April 30, 1945. After deducting the distributions paid to shareholders, asset value per share ranged from $4.75 to $9.40 on Oct. 31, 1945.

Affiliated Fund

Affiliated Fund in its first annual report on the new fiscal year basis covering the period from Jan. 1 to Oct. 31, 1945, reports per share asset value on the latter date of $5.82. This compares with $5.18 on June 30, last, and with $4.05 on Dec. 31, 1944, the end of the previous fiscal year.

Assets attained a new high level of $30,991,205 on Oct. 31, compared with $28,450,852 on June 30, and with $25,036,174 on Dec. 31, 1944.

The Situation

In the current issue of Brevits, **Vance Sanders & Co.** reprints a Standard & Poor's review of stock prices entitled "Confidence in Market Justified."

The following reasons are given to support this opinion:

1. Previous major advances were financed to a large extent by borrowed capital. Margin trading is a negligible factor today.

2. There is a healthy relationship between bond and stock yields. The later phases of previous bull markets were usually featured by a decline in stock yields below those for bonds, but such a situation is still far distant.

3. Since money rates are low, and may go even lower, a more liberal capitalization of common stock earnings and dividends could well take place without creating an over-inflated situation.

The conclusion is reached that, "taking into account the condition of the market itself, the monetary factor, and the record corporate earnings in prospect, we are convinced that stock prices ultimately will reach substantialy higher levels."

Fundamental Among Leaders

Hugh W. Long & Co., sponsor of **Fundamental Investors,** has reprinted a Standard & Poor's Stock Report covering the nine months' results of mutual investment companies.

To quote the sponsor, "wherever and wherever a client runs across such studies of management ability, he is most likely to see Fundamental at or near the top." In this particular review, Fundamental's rise to 29.7% placed it second from the top in record of performance.

Mutual Fund Literature

National Securities & Research Corp.—Current issues of National Notes: latest Investment Timing. . . . **Hugh W. Long & Co.**—The current New York Letter on **New York Stocks, Inc.** . . . **Distributors Group**—Notice of change of fiscal year of **Group Securities** from Dec. 31 to Oct. 31; dividend information on **Group Securities.** . . . **Keystone Co.**—Latest issue of Keynotes entitled "Last Call for Tax Savings." . . . **Lord, Abbett**—Current issue of Abstracts covering 1945 tax information on **Union Trusteed Funds, Inc.** . . . **Selected Investments Co.**—Memo on **Selected American Shares;** current issue of "These Things Seemed Important." . . . **Broad Street Sales Corporation**—Current issues of Items on **National Investors Corp.** and **Broad Street Investing Corp.**

Dividend

Fundamental Investors, Inc.—Quarterly dividend No. 48, amounting to $1.65 per share, payable Dec. 24, 1945, to holders of record Dec. 17, 1945.

John Kormendi Is Reopening Inv. Firm

Captain John Kormendi, A.U.S., announces that he has reopened the offices of John Kormendi

John Kormendi

Company, brokers and dealers in securities. The firm, organized in 1936, suspended business in 1942 when Mr. Kormendi entered military service. He recently returned from Germany and is now being released from active duty.

Propose Change in Date Of Annual Meeting of Chase National

If approved by vote of the shareholders of The Chase National Bank at the annual meeting on January 8, future annual meetings of that bank will be held on the last Tuesday in January, instead of on the second Tuesday in January. Holders of the bank stock are being informed of the proposed change in the annual meeting date in a formal notice of the forthcoming meeting which was mailed to them with the proxy on Dec. 4.

The National Bank Act requires that the date for the annual meeting of a National bank must be on a day in January specified in its articles of association. At present the articles of association of The Chase National Bank specifies the second Tuesday in January, which for many years has been the day on which meetings of National banks generally have been held. The proposed change to the last Tuesday in January it is announced will make it possible for the bank to prepare, print, and mail its annual report to stockholders before the meeting is held, commencing in 1947.

LOW PRICED SHARES of GROUP SECURITIES, Inc.

A PROSPECTUS ON REQUEST FROM YOUR INVESTMENT DEALER OR DISTRIBUTORS GROUP, INCORPORATED
63 Wall Street • New York 5, N. Y.

COMMONWEALTH INVESTMENT COMPANY
A Mutual Investment Fund
★
Prospectus on Request
★
GENERAL DISTRIBUTORS
NORTH AMERICAN SECURITIES CO.
2500 Russ Building • San Francisco 4

One of the
NATIONAL SECURITIES SERIES
INCOME SERIES
Shares
Priced at Market
Prospectus upon request from your investment dealer or
NATIONAL SECURITIES & RESEARCH CORPORATION
120 BROADWAY
New York 5, N. Y.

THE LORD-ABBETT GROUP OF INVESTING COMPANIES
Union Bond Fund B
Prospectus upon request
LORD, ABBETT & Co.
INCORPORATED
New York · Chicago · Philadelphia · Atlanta · Los Angeles

The George
PUTNAM FUND
of Boston
Prospectus upon request
Putnam Fund Distributors, Inc.
50 State St., Boston

Keystone Custodian Funds
★
Prospectus may be obtained from your local investment dealer or
The Keystone Company *of* Boston
50 Congress Street, Boston 9, Mass.

SHARES OF CAPITAL STOCK OF
INCORPORATED INVESTORS
Prospectus may be obtained from your local investment dealer, or
THE PARKER CORPORATION
ONE COURT STREET, BOSTON 8, MASS.

REPUBLIC INVESTORS FUND Inc.
Founded 1932
W. R. BULL MANAGEMENT CO., INC.
Distributors
15 William St., New York 5

Fundamental Investors, Inc.
The Directors of Fundamental Investors, Inc., have declared quarterly dividend No. 48 of $1.65 per share payable on the Corporation's capital stock December 24, 1945 to holders of record at the close of business on December 17, 1945.
HUGH W. LONG and COMPANY
Incorporated
National Distributors
48 Wall Street, New York 5, N. Y.

Are Stocks Too High?

By ROGER W. BABSON

Mr. Babson Holds That, Aside From Breaks to Correct Technical Conditions, the Current Bull Market Will Continue and Gives Six Reasons for His Belief. Although Advising Investors to Keep Some Cash Idle for Re-Investment, Concludes That Labor Leaders and Mr. Bowles Will Abandon Their Positions and That Much Prosperity With Higher Prices Is Ahead.

I am still bullish. Although the stock market may have a break to correct technical conditions, I believe that it will be some time before the current bull market collapses. There are many reasons for this:

Roger W. Babson

1. The tremendous backlog of unfilled orders.

2. The tax reductions for 1946.

3. The very low interest rates, which mean that even at present stock prices one may secure with safety a better interest return than from banks or bonds.

4. The scarcity of good stocks. There are today fewer stocks listed on the New York Stock Exchange than there were five years ago; with five times as much idle money awaiting investment.

5. The wage rumpus and accompanying strikes will only delay good times; not destroy or prevent them. Besides, **merchandise stocks and leisure stocks should benefit from all wage increases.**

6. The fact that stocks are mostly owned outright and that total stock exchange transactions are today only 6% of national income compared with 105% in 1929.

Keep Some Cash Idle

In view of the above, some readers wonder why I also advise keeping some cash and Governments on hand. The reason is because of the **one chance in ten** of a severe break in the market. This might give such extraordinary opportunities for re-investment that it is always advisable to keep a certain amount of cash on hand for this "one in ten" chance!

As an illustration of what I have in mind, let me refer to an Investment List recently issued by a very high-grade Stock Exchange Firm. It is titled "Eight Attractive Stocks." These stocks today sell at an average price of $55.50 and give an average yield of 3.65%. Yet these same eight stocks sold at an average of only $5 in 1932.

The above does not mean that in the next bear market these eight "high-grade" stocks will reach their 1932 lows, but most of them may go down to nearly these figures. At any rate, the discrepancy is so great that it pays to keep a certain amount of funds available for such rare opportunities when, as, and if they return.

More Inflation Is Ahead

It is nonsense to attempt to prevent either price increases or labor increases. Inflation has followed every great war. There is no other way of paying for such a war. We must take our choice between more inflation or Government repudiation. I have been warning readers of this for the past five years. Those who took my advice are sitting pretty today.

There are two things that can happen in the present situation: (1) Unreasonably high prices and profits which will result in increased employment; unreasonbly lower prices and high wages which will result in much unemployment. Neither of these will win out, but, there will be a general compromise by both groups yielding something. This compromise may not suit anybody, but it should result in higher stock prices. On the other hand, it is well to keep some funds liquid in case—one chance out of ten—something unexpected should happen.

My Personal Conclusion

This column has always been successful in advising when to get into the stock market. As to getting out, it is always more difficult. Preceding 1929 there were many danger signals, but there were almost none preceding the decline in 1937. Certainly, conditions are very much better today than in 1929 or 1937 when business was uncertain and when 80% of the stocks were held on borrowed money.

Yet both of these bull markets —1929 and 1937—were followed by a nose dive in general business; certainly, this is not in evidence at the moment. Furthermore, money rates were high in those years, while they today are very low with no immediate chance of their going higher. The only fly in the ointment at present is in connection with labor strikes; and I have never known anyone to make money by selling stocks during labor troubles. Hence, my personal conclusion is that both the labor leaders and Mr. Bowles will retreat from their present absolutely unreasonable stands. If so, much more prosperity surely is ahead and the stock market is not too high. Moreover, only by such a compromise will much unemployment be avoided.

Wm. B. Goldie Joins Staff of Riley & Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, WIS.—William B. Goldie has become associated with Riley & Company, First Wisconsin National Bank Building. Mr. Goldie in the past was with John Nuveen & Co. and the Milwaukee Company.

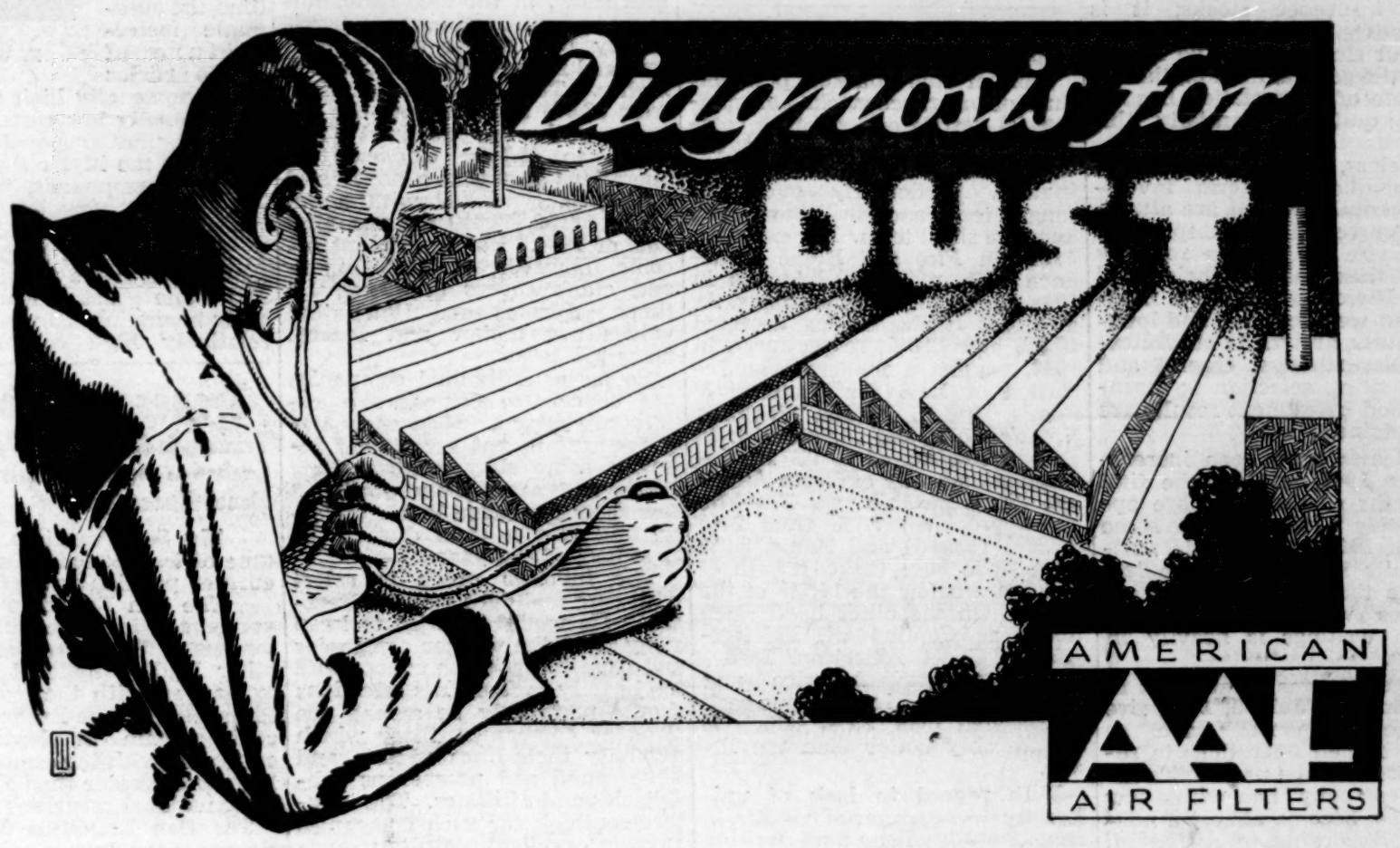
Small, McPherson at Small-Milburn Co.

WICHITA, KAN.—After two years' service in the U. S. N. R. Don M. Small has returned to Wichita to resume his duties with The Small-Millburn Company, Wheeler-Kelly-Hagny Building.

Capt. Richard McPherson has returned from 4½ years in the Army, 22 months of which was overseas, and has joined The Small-Millburn Company organization.

D. H. Ellis to Admit

D. H. Ellis & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Guernsey Curran, Jr. to limited partnership on Jan. 1.



ELECTRONIC air filters — to provide super-clean air for top efficiency in men and machines — have been developed and perfected under war-time pressure by American Air Filter Company, Inc., Louisville, Kentucky, largest exclusive producers of air-cleaning equipment in the world.

Clean air is a necessity today in many industries where machinery and materials in process must be protected against dust, bacteria, soot or smoke and where worker efficiency is impaired by air contamination. Department stores, hotels, hospitals, office and public buildings, textile mills, food producers, telephone exchanges, chemical laboratories, art galleries and libraries are a few examples of the buildings requiring pure, dust-free air.

American Air Filter Co., Inc., has developed, through modern electronics, four distinct types of filters, the first complete line of electronic air filters ever offered for commercial and industrial use. The Company also offers the services of an experienced engineering staff thoroughly qualified in the solution of difficult dust problems. Its business is fundamentally dust engineering, and in addition to the technical knowledge accumulated through years of research and experimentation, it offers the practical experience gained from the solution of thousands of intricate dust problems.

Many leading engineers and consultants whose responsibilities involve the elimination of atmospheric dust rely upon AAF products as the most modern in their line. Since air filters are an integral part of any air-conditioning system, a vast field of operations lies ahead. Already a long and impressive list of users proves the pre-eminence of AAF equipment and engineering in this field.

Another advertisement in the series by Equitable Securities Corporation featuring Southern developments. Equitable has helped to finance many Southern companies, is ready to do its part in supplying others with capital funds.

NASHVILLE
ATLANTA
KNOXVILLE
BIRMINGHAM
NEW ORLEANS

EQUITABLE
Securities Corporation

NEW YORK
MEMPHIS
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BROWNLEE O. CURREY, PRESIDENT

322 UNION STREET, NASHVILLE 3, TENN.

TWO WALL STREET, NEW YORK 5, N. Y.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Since the close of last year, fire insurance stocks have appreciated 14.7%, as measured by Standard & Poor's Weekly Index. This compares with an advance of 24.7% by the Dow Jones Industrial Averages. However, from the 1942 lows, the relative appreciations have been 125.3% for fire stocks and 104.5% for industrials. A comparison of the year by year market moves of both groups is rather interesting, as follows:

Period	Fire Insurance Stocks % Gain	Dow Jones Industrials % Gain
1942 Low to 12-31-42	78.0%	28.5%
12-31-42 to 12-31-43	8.8%	13.8%
Total period	93.8%	46.3%
12-31-43 to 12-31-44	1.4%	12.1%
Total period	96.5%	63.9%
12-31-44 to 11-28-45	14.7%	24.7%
Total period	125.3%	104.5%

Fire insurance stocks, it is plain, advanced very sharply in 1942, but since then have lagged behind the general market, though their rate of appreciation has increased quite substantially this year.

As a class, fire insurance stocks offer unique long-term investment possibilities, and are attractive at current levels despite the market rise which has recently carried them above their 1936 highs. Dividend income is moderate, but well covered, and long-term equity growth is characteristic. Nevertheless, careful and discriminating selection is essential if good investment results are to be obtained.

Fire losses have been increasing since 1942, and for the first ten months of this year are approximately 7.7% above the same period of 1944. Thus, underwriting results in 1945 will be less favorable than in 1944 for those companies whose allocation of premium writings is heavily in fire risks.

However, as was pointed out in this column on July 5, 1945, fire insurance companies have so broadened their operations in recent years that the name "fire insurance company" has, with a few exceptions, become almost a misnomer. According to Alfred M. Best Company, 77% of the aggregate premium volume of all stock fire insurance companies was in fire risks in the year 1920; in 1944 only 54.5% was in fire with 45.5% in "other lines." During 1945 the proportion in "other lines," including motor vehicle, ocean marine, inland navigation and transportation, extended coverage, etc., is believed to be somewhat higher than last year.

Neither the market performance of insurance stocks nor managerial results of insurance companies are uniform. In fact, the market tends to be quite discriminating, particularly over the longer term and sometimes even over the short term. For example, Franklin Fire and Home Insurance both reduced dividends in 1944 due to impaired earnings. As a result their stocks declined 16.2% and 12.8%, respectively, in 1944, against a moderate appreciation of 1.4% for Standard & Poor's Index, which includes Home's stock, and compared with an appreciation of 10.5% for Insurance Company of North America. Thus far this year Franklin has appreciated 7.1% from 24½ to 26¼ (asked) and Home, 8.9% from 28 to 30½ (asked), both of which are below the 14.7% of the Index. On the other hand, such stocks as Continental, Fidelity-Phenix, Great American, Insurance of North America and Providence-Washington have each appreciated over 20%, which is considerably better than the Index.

With regard to lack of uniformity in managerial results, a recent* study of the underwriting operations of 32 representative fire insurance companies during the war years, 1941 to 1944 inclusive, disclosed some interesting facts, as follows:—Five companies showed *net underwriting losses* for the entire four-year period; 12 companies showed *net underwriting profits* in each of the four years; five companies showed mixed results but averaged *net underwriting losses* for the period, and ten companies showed mixed results but averaged *net underwriting profits* for the period.

An interesting example of the lack of uniformity in managerial results is found in the case of Home Insurance vs. Hartford Fire and Insurance Company of North America. Since 1936 Home has experienced a downward trend in net investment income, while both Hartford and North America have experienced a substantial upward trend; furthermore, Home's liquidating value has increased only 10% since 1936, while Hartford's has increased 62% and North America's 55%. The relative market action of their stocks has reflected, and should continue to reflect, such marked differences in managerial results.

With regard to operations for the first half of 1945, Alfred M. Best reports that the semi-annual statements of 70 stock fire companies show, in the aggregate, unearned premium reserves approximately 10% higher than a year ago, and net premium volume 9% higher. The loss ratio has risen from 56.5% to 59.9%, but the expense ratio has declined from 41.1% to 40.7%. Underwriting operations aggregate a net loss of $1,573,000, compared with a net profit of $2,967,000 for the first half of 1944. Net investment income, however, is 2.8% higher and alone covers dividends 1.5 times. Surplus and liquidating values are higher and federal taxes 8% lower.

So far as individual companies are concerned, comparative results are mixed. Most show improvement in net investment income; some show underwriting losses and some show profits, a few show somewhat better underwriting results than during the first half of last year.

The investor needs to select with care and does well to diversify. He would be wise to keep away from the weaker companies and from those which concentrate too heavily in fire. His selections should preferably be among the stronger companies, those which diversify their lines of risk, and have sound and prosperous subsidiaries and affiliates. The long-term outlook for such companies appears excellent, despite temporarily heavy fire-losses, the Supreme Court decision and the normal difficulties and hazards of business enterprise.

*See "Chronicle," Sept. 13, 1945, Page 1238.

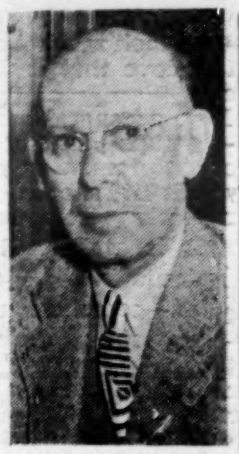
Brinton to McGuckin

B. F. McGuckin, member of the New York Stock Exchange, will become a partner in the Stock Exchange firm of Brinton & Co., 1 Wall Street, New York City, as of January 2nd. Mr. McGuckin was formerly a partner in de Coppet & Doremus.

Revolutionary Type of Cold-Mold Plastics and Process Now Available

New Fields Opened for Plastics With "EMCO" Cold Mold Powders Developed by Myler Plastics Corp.

The Myler Plastics Corporation, creators of cold-mold plastic powder, announced Tuesday that ground had been broken for the erection of its new factory in Plainville, Conn.



E. W. Myler

"The new factory," said E. W. Myler, President of the company, "will be designed especially for the production of its new and revolutionary powders which permit for the first time, the automatic manufacture of plastic articles at phenomenally high speeds and exceptionally low costs."

"With 'EMCO' powders," trade name for the Myler Plastics Corporation compounds, "great new markets are now opened up in the plastic field," said Mr. Myler. In explaining this he pointed out that although the plastic industry had made great strides since its early beginnings 30 years ago, the relatively high cost of plastic compounds, plus high equipment costs and slow productoin methods, had greatly retarded its development. "Now," said Mr. Myler, "'EMCO' powders make possible the production of small plastic items at the rate of 25,000 to 30,000 per hour at a cost cheaper than prevailing markets."

"The new Myler company processes and powders," continued Mr. Myler, developed by Frank J. Moore, Engineer and Chemist of the company, "open up wide fields in the advertising, plumbing, electrical, building, furniture, automobile, radio and other fields," heretofore largely out of the reach of plastic manufacturers. In addition, companies using plastics in some form in their business can now manufacture their own plastic articles by the installation of low-cost, high-speed equipment utilizing "EMCO" powders.

Predicting that the "Plastic Age" would bring millions of new products designed for better, more cheeful, less costly living, Mr. Myler stated that the Myler laboratories will soon announce another revolutionary development in the metal-plastics field.

Transactions on 'Frisco Exchange Mounting

Trading in September Was Almost Double That of Same Month in 1944. Exchange Reported Now to Rank Second Place in Volume Among Regional Exchanges.

The San Francisco Stock Exchange reports an expansion in volume of transactions this year and on this basis gives the Exchange's current position as the second largest securities market in the Nation.

The San Francisco Stock Exchange, it is stated, had a greater percentage increase in market value of transactions the first nine months of this year over the same period in 1944, than any of the other leading national securities exchanges, with the exception of Philadelphia. The Exchange's percentage gain in September as compared with the same month in 1944, was greater than that of any other national securities exchange.

The San Francisco Stock Exchange is the only securities market outside of New York whose memberships sell at prices comparable to these Eastern Exchanges, the last price being at $25,000. This valuation reflects the earning possibilities of a membership in the San Francisco Stock Exchange because of its pro rata volume per membership, of which there are now 62 regular members, being relatively high in comparison with other securities exchanges.

In September, this year, the market value of transactions on the Exchange was 96% greater than for the same month in 1944, which increase is noteworthy when compared with an average increase of 65% for all registered securities exchanges. Moreover, the San Francisco Stock Exchange was the only national securities exchange showing such a marked gain in that period. The next largest increase was that of the Boston Stock Exchange with 76%. September volume gave the San Francisco Stock Exchange the rank of second place among all regional securities exchanges, being surpassed only by Chicago.

For the first nine months of 1945, San Francisco had the second largest percentage gain in market value of transactions over the same period in 1944 of all national securities exchanges. The percentage increase for the nation's leading exchanges, listed in order of importance as indicated by volume, for the first nine months of 1945 and for September this year, are as follows:

	—Percentage Incr.— 1st 9 Mos. '45 vs. '44	Sep. '45 Sep. '44
All Exchanges	45%	65%
New York	44	66
New York Curb	54	62
Chicago	50	74
SAN FRANCISCO	69	96
Boston	46	76
Philadelphia	77	53
Los Angeles	53	73

FIRE INSURANCE CLEARS THE HURDLE

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Department)

Russell Manufacturing Co.
Bought—Sold—Quoted
A. M. Kidder & Co.
Members New York Stock Exchange and other leading exchanges
1 WALL ST. NEW YORK 5
Telephone DIgby 4-2525

PRIMARY MARKETS IN BANK and INSURANCE STOCKS
GEYER & CO.
Incorporated
Chicago 4 — 231 S. La Salle Street — FRanklin 7535 — CG-105
NEW YORK 5 — 67 Wall Street — WHitehall 3-0782 — NY 1-2875
Boston 9 — 10 Post Office Square — HUbbard 0650 — BS-297
PRIVATE WIRE SYSTEM CONNECTING: NEW YORK, BOSTON, CHICAGO, PHILADELPHIA, ST. LOUIS, LOS ANGELES
TELEPHONES TO
HARTFORD, Enterprise 6011 PORTLAND, Enterprise 7008
PROVIDENCE, Enterprise 7008

BANK OF AMERICA
ARDEN FARMS COMPANY
KAISER-FRAZER CORPORATION
KERN COUNTY LAND COMPANY
PACIFIC GAS AND ELECTRIC COMPANY
(Preferreds)
SAN DIEGO GAS AND ELECTRIC COMPANY
Bought Sold Quoted
FIRST CALIFORNIA COMPANY
INCORPORATED
INVESTMENT SECURITIES
300 Montgomery Street, SAN FRANCISCO 20, YUkon 1551, Teletype SF 431 - 432
650 South Spring Street, LOS ANGELES 14, TUcker 3151, Teletype LA 533
Oakland San Jose Stockton Long Beach Santa Ana Monterey San Diego Beverly Hills Fresno Sacramento Pasadena Reno, Nevada

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital....£4,000,000
Paid-Up Capital.....£2,000,000
Reserve Fund.....£2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

American Economic Stability

By O. MAX GARDNER*

Chairman of the Advisory Board, Office of War Mobilization and Reconversion, and Former Governor of North Carolina

Mr. Gardner Urges the Resolution of Our Economic and Social Disunity, Which He Ascribes to the Dislocation of the War. Urges Moderation on Both the Leaders of the Jurisdictional Fights Within Labor and the "Stubborn Individualists" in Management. He States That the Real Basis of Management-Labor Disputes Lies in the Twin Fears of Inflation and Deflation; and That a Sound Equilibrium Must Be Reached Through Maximum Production, and Through the Entire Population's Willingness as Well as Opportunity to Work. Warns Against Profligacy and a Repetition of the 1927-29 "Joy Ride." He Urges "Business-like" Postwar Planning by the Government, Stating That the Most Crucial Element of Economic Stability Will Be Our Willingness to Adjust to Changing Conditions.

There is no subject more deeply significant to all of us than that chosen for our discussion here tonight: "American Economic Stability." There is no domestic issue more fundamental to the welfare of our nation than the question of when, and how soon, and by what means, we are to attain economic stability. If we are to find the answer, we must not rest.

O. Max Gardner

With my background and experience, I must confess that I do not pretend to come to you tonight with any expert knowledge qualifying me to speak with authority or finality as to the plans or policies that are necessary for the creation, maintenance or continuance of the economic stability of America. I doubt if any of us have a proven formula for the attainment of this Utopia.

A subject so vast as national economic stability must, of necessity, in the time allotted be treated in general terms. Many years ago a scholarly divine in my section asked a successful evangelist the secret of his power in the pulpit. He replied by saying: "Well, my brother, I just spread the fodder on the ground so that anybody in the congregation from a jackass to a giraffe can get to it." I think, with due apology, that I shall follow his example here tonight.

In fact, ladies and gentlemen, I know more about economic instability than I do about economic stability. I was nursed at the sad and loving breast of instability and for most of my life have been on intimate terms with it. Indeed,

(Continued on page 2774)

*An address by Mr. Gardner before The Economic Club of New York, Nov. 29, 1945.

For New "Economic Stability" Formula

A. W. Robertson of Westinghouse Says Economic, Social and Political Convulsions Are Possibilities Unless a Balance Is Restored in Rights and Duties. Likens Disturbed Situation in Labor Field to Atomic Bomb and Calls for Curbs on Labor Leaders.

By following a course that caused complete financial breakdown in the sound economic life of other nations "we have produced a financial bomb which threatens to blow our economy to destruction," according to A. W. Robertson, Chairman of the Westinghouse Electric Corporation.

A. W. Robertson

"The world is suffering from the economic dislocation of war and the U. S. didn't pay the full economic price for the war while it was being fought, so we must pay for it after it has been won," he told the Economic Club of New York at a meeting at the Astor Hotel on Nov. 29.

"No doubt millions of our people will rebel against doing what the payment will require. Economic, social and political convulsions as powerful as an earthquake are undoubtedly future possibilities," Mr. Robertson said in his address, "American Economic Stability—The Rules Are Obsolete."

Tracing the growth of the nation's industrial economy, Mr. Robertson observed that "as long as the ratio of production to the expenditure of labor was on the favorable side and we were making more than we were spending all was well, because a national economy resembles a top in that the faster it spins the more stable it is."

But during the depression, he continued, the economy top began to run down and show a dangerous lack of balance, and "since our affairs had outgrown the book of rules and since there was no duplicate of America in the world, weaknesses and faults were misunderstood and misinterpreted."

The Board Chairman listed "tampering with the money standards" among what he termed "distinctly harmful remedies" and added:

"We followed this by increasing the quantity of money out of all proportion to things and services, following a course that had caused a complete breakdown in the sound economic life of other nations.

"This abnormal condition was made dangerously explosive by financing a large part of the colossal expenditures of the war through the banking system. We printed currency and exchanged bonds for new bank deposits and in these and other ways pushed our supply of funds up to two and one-half times the size of the money supply of 1940. This supply is now the tremendous sum of $163,000,000,000. It was only $67,000,000,000 five years ago. We have produced a financial bomb which threatens to blow our economy to destruction.

"But economy is a part of living and as long as we are alive the show must go on no matter how poor the performance. We

(Continued on page 2718)

Cost Accountants to Hear Virgil Ettinger

Virgin P. Ettinger, Tax Consultant, will address the Brooklyn Chapter of the National Association of Cost Accountants on Wednesday evening, Dec. 12, 1945, at the Central Branch of the Y.M.C.A., 55 Hanson Place, Brooklyn, N. Y., at 6:30 P.M. on the subject "Recent Developments in Federal Taxes."

Mr. Ettinger was Vice President and Editor-in-Chief of the Tax Service for Prentice-Hall for a number of years. At the present time he is Advisory Editor of Prentice-Hall and is engaged in private practice as a tax specialist. He is a member of the Academy of Political Science and the National Tax Association. Mr. Ettinger has been a guest speaker on taxes at the Detroit Board of Commerce, National Retail Dry Goods Association, New York and Massachusetts State Societies of Certified Public Accountants, and many other business, technical and professional organizations.

Coggeshall is V.-P. of Schoellkopf Firm

Schoellkopf, Hutton & Pomeroy, Inc., investment bankers, announce that George K. Coggeshall has joined the firm as Vice-President in charge of the New York office, 63 Wall Street.

Mr. Coggeshall has been in the investment business for the last 20 years, having started with Harris, Forbes & Co. in 1925. As a partner in Holsapple & Co. since 1933, he has specialized in trading and sales work, with particular attention to institutional and out-of-town dealer accounts.

Shirley H. Baker Returns To Heller, Bruce & Co.

SAN FRANCISCO, CALIF.—Lt. Comdr. Shirley H. Baker, USNR, has returned to Heller, Bruce & Co., Mills Tower, as municipal trader after three and one-half years in the U. S. Navy.

Sees Lower Price Rise Than in 20's

C. A. R. Wardwell of International Statistical Bureau Looks for Not More Than 6% or 7% General Price Increases in 1946 Unless All Controls Are Abandoned.

Commodity price averages will continue to rise in 1946, according to Dr. C. A. R. Wardwell, economist of the International Statistical Bureau, Inc., who spoke on the "Outlook for Commodity Prices in 1946" before the Purchasing Agents Association of New York at the Builders Exchange Club on Nov. 26. The extent of the gain, however, will be less than during the inflation of 1919-1920 following the last war.

Chas. Wardwell

Major reasons why commodity price level will rise in 1946 are fairly obvious, according to Dr. Wardwell. There is a tremendous accumulated demand for nearly all types of civilian goods. Consumers need and will purchase large quantities of automobiles and appliances, certain types of foods that have been scarce, textiles and apparel, house-furnishings and dwelling units. Distributors and manufacturers in many cases will swell the demand by placing orders for necessary inventory replacement, over and above amounts needed to meet current shipments or sales. Foreign demands, at least for a year or two, will have some effect on food and clothing markets; large scale shipments of industrial supplies and capital goods must also be expected.

Producers themselves will require a great deal of new construction and capital equipment. Belief that plant capacity was generally over-expanded during the war will be justified only if we lapse into a much lower level of production and business activity than seems likely. Both obsolescence and wear and tear have been raised to high levels. Much new special machinery is needed, particularly in printing, paper making and textile fields. Further new construction is necessary to handle a new high level of post-war civilian goods demand.

In addition to strong demand Dr. Wardwell pointed out that supplies of most commodities are still relatively scarce. Production in reconverted industries is still far below a normal level. Lack of shipping, scarcity of foreign supplies and governmental policies are obstacles to a free flow of imports. Strikes, labor material shortages, lack of adequate machinery and equipment are additional factors interfering with the rapid increase in the production of civilian goods.

"The inflation danger" confronting us is perfectly illustrated by what happened in 1919. By Jan. 1 most controls were gone. Within 15 months after the post-armistice low point reached in February the general level of all commodity prices had increased by 29%. An immense inventory speculation developed. Frenzied bidding by manufacturers for semi-processed goods drove up the price of these commodities by 86%.

While emphasizing the prospect of further price increase Dr. Wardwell cautioned against the belief that the advance would be as rapid as that following the last war. In fact, the advance in the entire commodity price level during 1946 probably will not be more than 6% or 7% unless all controls are soon abandoned. While OPA will necessarily increase many ceiling prices in 1946, inventory speculation will hardly be excessive unless controls are dropped. While OPA itself may not survvie mid-1946, well informed political observers beleved that limited controls on rents and essential scarce commodities will be continued beyond that date.

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Railroad Securities

Regardless of the fate of the various resolutions and bills relating to railroad reorganizations which have been introduced in the House and Senate in recent weeks, it is generally conceded that the Missouri Pacific plan is due for major revisions. It is expected that some new proposal will be forthcoming in the relatively near future. Payment of the Iron Mountain bonds and the still strong financial position of the road make the present plan pretty much obsolete.

As of the end of September the road had net working capital of close to $85,000,000 after allowance for payment on Oct. 1 of a full year's interest on the 1st & Refunding Mortgage bonds. It is estimated that this balance was increased, or will be increased, by roundly $12,000,000 from tax reductions incident to acceleration of amortization of defense projects. With this and earnings in the last quarter of the year the road should enter 1946 with net working capital somewhat above $75,000,000 after payment of the $24,156,000 of principal of the Iron Mountain bonds.

Obviously a reorganized Missouri Pacific would not need nearly that large working capital. It would not be too burdensome to pay off in full the claims of the RFC, the RCC, and the banks for around $38,000,000 which would leave the company with net working capital of perhaps more than $40,000,000. All of these claims are to be settled, under the present plan, in cash and new 15 or 25-year 1st Mortgage bonds. Payment of these claims and the Iron Mountain bonds (the latter has already been paid) would release $55,213,000 of new 1st Mortgage bonds for reallocation to the old bond holders.

As the funds would be supplied by Missouri Pacific the reallocation would presumably all go to the bondholders of that road and not be distributed also to holders of New Orleans, Texas & Mexico and International-Great Northern bonds. In addition to the claims that could be paid off as mentioned above, there are only three small divisionals (aggregating $3,561,000) and the 1st & Refunding Mortgage bonds of Missouri Pacific that are to participate in new 1st Mortgage bonds in the reorganization. Under the present plan the 1st & Refunding 5s are to receive an average of $400 in new 1st Mortgage bonds, with the actual allocation varying slightly with the different maturities. Reallocation of securities now allocated to the claims paid off would lift this 1st Mortgage treatment to an average of $650 per old bond.

As of Jan. 1, 1946 the claims of the 1st & Refunding bonds will average slightly more than $1,400. On the basis of the reallocation outlined above this would leave roundly $750 to be met in junior securities. This is on the assumption that it would no longer be necessary to compromise part of the claim as was contemplated in the present plan. Under the present plan the 1st & Refunding Mortgage bonds are allocated junior securities as follows: (rough average for all maturities) $380 Series A Income 4½s, $150 Series B Income 5s, and $222 of 5% preferred stock. Obviously it would be necessary to continue these allocations if the claims were to be met in full.

On this basis the major benefit to be derived from payment of some of the claims with cash would be to meet the claim of the 1st & Refunding bonds in full with new securities rather than compromising it. In the present plan about $240 of the claim was compromised by giving the holders the option of taking around $71 in cash or an average of roundly $275 in Class A common stock taken at $100 a share. Had holders taken the stock option this would have involved a total of 617,910 shares of the Class A stock. With the full claim of the 1st & Refundings met without recourse to the compromise settlement this stock might be available to improve the treatment of junior securities.

Although the possibility of any material improvement in the treatment of the junior securities is uncertain at this time, there is little question in the minds of most rail analysts that the status of the 1st & Refunding bonds has been improved materially. Considerable investment buying has been going on in recent weeks.

White Wire to N. Y.

ST. LOUIS, MO.—White & Company, Mississippi Valley Trust Building, have installed a private wire to New York City.

Diamond Anniversary for Missouri-Kansas-Tex.

The Missouri-Kansas-Texas Railroad, during the week Oct. 29 to Nov. 3, celebrated its diamond anniversary (1370-1945). The celebration was held at Parsons, Kansas, and was sponsored by the citizens of that community.

Raymond J. Morfa, Chairman of the "Katy" board, referring to the celebration, stated it was "the finest tribute any railroad ever had from any community."

Raymond J. Morfa

Mr. Morfa told of the Katy's plan for improved service in the future, reviewing the purchase of stream-lined passenger trains, Diesel locomotives, and other equipment. He also told of plans to improve schedules.

Thanking the people of Parsons for their gesture to the Katy, Mr. Morfa said the family spirit along the railroad was one of its most valuable assets.

"The term 'Katy family' is not just a play on words. It is a very real and happy relationship enjoyed by all who are active in the railroad's operations and by the communities which the Katy serves and in which our people live and work," he said. "So long as there is a Parsons and a Katy, I hope that we will always consider ourselves as members of the same family, working together for the common good."

Mr. Morfa further said that "I can see no obstacle in the path of industrial decentralization of our crowded eastern areas and the migration of industry, population and wealth to our territory. If I had not seen this inevitable change, you may be sure that I would not have decided to cast my lot with you people who will benefit and prosper with this development."

Wants Business to War on Collectivists

E. F. Hutton, in an Interview, Asks for a Standard Bearer to Lead Attack on "Ball-and-Chain" Rule of Collectivist Philosophy. Says Business Must Speak Up on Public Questions and Asserts New Deal Ideologists Are Getting Ready to Forge New Restrictions on Private Enterprise.

According to an item published on Dec. 1 in the New York "World-Telegram," reporting an interview with Edward F. Hutton, Chairman of the General Foods Corporation, at his home in Westbury, L. I., the financier demanded positive action on the part of business to combat collectivist ideology which he described as a "Ball-and-Chain" Rule philosophy. He expressed a fear that if the "Collectivists" succeeded in what they are planning they will bankrupt American economy and "put security on a par with what prisoners at Sing Sing enjoy."

"It's about time that we examined this ball-and-chain and the determined group of utterly un-American 'experts' who, with the co-operation of self-seeking politicians, are deliberately attempting to bring America to bankruptcy by continuous deficit spending and destiny by debt." Mr. Hutton is reported to have said that "there is still a minority of determined, envious, ambitious autocrats striving and planning to make this country the land of the ball-and-chain."

Mr. Hutton added that "they render lip service to the Democratic Party and even to President Truman, yet they cannot and will not agree with what the President said in his radio address of Aug. 9: 'A society of self-governing men is more powerful, more enduring, more creative, than any other kind of society, however disciplined, however centralized.'

"There is a standard diametrically opposed to the ball-and-chain; there is a premise sired by truth and born of experience."

Contending that pre-war New Deal ideologists are getting ready to forge the ball-and-chain again, Mr. Hutton declared that "plenty of un-American individuals are planning to smash industry, enterprise and the competitive profit-and-loss system so they can take over and create the perfect monopoly. The ball-and-chain is destined first for capital, then for labor, and then for the people at large."

According to the "World-Telegram," Mr. Hutton stated that to combat the collectivist trend, business must forsake immediately, said Mr. Hutton, the attitude that it is beneath its dignity to do anything about it and assume an attitude of defense of "white collar rights, labor in the plants, and stockholders."

A prime obligation of business, he declared, is "speaking up" on public questions such as legislative bills, social and moral issues. "Management has been wrong in over-stressing the value of silence," Mr. Hutton stated. "A person's judgment is only as good as his information. To those who speak out, destiny has given the chance, perhaps the last chance to sell the American way of life back to the Americans and to help us all avoid the ball-and-chain."

George V. Jackish Has Rejoined Harris Upham

MINNEAPOLIS, MINN.—George V. Jackish has returned to Harris, Upham & Co., Northwestern Bank Building as a trader. Mr. Jackish entered the Army in January 1944, serving in the Service Forces as Sergeant in Personal Affairs Division at Ft. Snelling, Minnesota, Lexington, Va., and on other special detached service duties at Camp Edwards, Mass. and various posts within the seventh Service Command. He was discharged in October 1945.

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Canadian Securities

By BRUCE WILLIAMS

In the topsy-turvy world of today commodity-starved countries refuse willing exporters. Moreover, in the case of Canada, which is anomalously outside the Sterling area, Dominion exports are barred from access to British Commonwealth countries. Canada—potentially the most powerful economic unit of the British Empire—is not permitted to play her proper role in the economic rehabilitation of Britain. Instead, previous intimations have developed into definite recommendations that if Canada wishes to maintain her British markets, Canadian plants should be established in the United Kingdom. The crowning stroke, however, is the implied suggestion that the Dominion refrain from seeking new markets for her goods and thereby eliminate competition with Britain.

Such recommendations are the product of shortsighted bureaucracy and are entirely devoid of the vision which is necessary to restore, for the universal benefit, the economic vigor of the British Commonwealth. Canada is the king-pin of the British community of nations.

The Canadian record during the war on a per capita basis was unsurpassed and revealed promise of future capabilities that should have given fresh hope to war wearied Britain. It would appear however that the doctrinaire course of British affairs is along the path of dull negation and blind despair.

British and Canadian industries do not have to clash in competition, and can thrive in cooperation. In some cases it can be advantageous to establish Canadian plants in Britain; but any compulsion in this direction can be highly deleterious to Anglo-Canadian trade relations in general. On the other hand, the door to cooperation is wide open. Canadian credit is freely available until British exports can restore a better balance of foreign trade. If the Bretton Woods plan is not implemented it would be natural and logical for Canada to be included in the Sterling area, thereby strengthening the "hard currency" position of this group and permitting freer dealings with the dollar area. Finally, the natural flow to Canada of British industry and technical skills should be encouraged and assisted. If the contrary policy is pursued the tremendous Canadian capacity for expansion will be stifled to the universal detriment.

Turning to the market for the past week, previous anticipations of strong demand for high grades within 10 years were fully realized. Prices throughout this section were marked up but the turnover was restricted by the dearth of supply. Alberta, Saskatchewan and Montreal issues were strong but offerings were also scarce. There was consequently increased pressure on the internal section. Dominion bonds and mining and industrial shares were freely brought down on the rate, and free funds remained at the peak level of 9⅛% in spite of offerings of dividend proceeds. As usual the persistence of strength of the "free" Canadian dollar gave rise to "parity" rumors. Although there is every reason for the continued firmness of Canadian exchange there is nevertheless no change in the basic situation, which still points towards the maintenance of the existing relationship with the U. S. dollar.

With regard to future prospects the termination of the Victory Loan should accentuate the growing interest in Canadian securities in this country, especially as the trend towards declining yields on bank-eligible bonds is increasingly marked.

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Whitcomb Again Active at Phelps, Fenn Co.

Phelps, Fenn & Co., 39 Broadway, New York City, announces that Richard E. Whitcomb has been released from active duty with the U. S. Navy and has resumed his position as a general partner in the firm.

Richard E. Whitcomb

Huff Rejoins Georgeson

Georgeson & Co., 52 Wall Street, New York City, announces that Asa C. Huff, Jr. has been released from active duty with the Armed Forces and is again associated with them.

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Truman on Reconversion Progress

In Press and Radio Conference He Tells Position of Manpower, Plant Reconversion and Production and Lifting of Wartime Controls. Holds Loss Through Strikes Since August Has Been Less Than 1% of Total Working Time.

At his press and radio conference on Nov. 29, President Harry S. Truman gave out the following statement regarding reconversion:

In the first 100 days of reconversion, we have made the following progress:

President Truman

Manpower—The great part of the layoffs from war plants has now been completed except in the shipyards. Employment in non-war activities has increased since V-J Day. Total employment has now returned to the V-J Day level and is expected to continue to rise.

Unemployment so far is less than had been expected. This means that the disruption of our economy has been less drastic than anticipated. However, we are still in a transition period. The rapid demobilization of the armed forces will undoubtedly increase the unemployment total over the next few months.

During these first 100 days, 3,500,000 men and women have been demobilized. We have stepped the rate up to 50,000 a day, and expect to continue at this pace.

Plant Reconversion—The job of reconverting our plants from war to peace is virtually completed. 93% of all plants have been cleared in 60 days or less after request. Two-thirds of these plants were cleared within 40 days or less. Twenty-seven billion dollars' worth of war contracts have been cancelled since the surrender of Japan. Approximately one-third of the 122,000 war contracts cancelled since V-J Day have been settled.

Lifting of Wartime Controls—All war manpower controls were lifted the day after Japan surrendered. OPA has removed several hundred items from price control, removed all rationing except for sugar and tires, and completed the pricing of reconversion goods almost 100%. OPA has reduced orders and regulations on its books to 55 from a wartime peak of 650. ODT has 14 orders standing, as compared with 3,050 during the war. About 85% of wartime export controls have been lifted, and 75% of wartime import controls.

Production—Most peacetime products are already in production or ready to roll. The metal-working trades on which we depend for most of our consumer durable goods are in such shape that they expect by the middle of 1946 to ship goods at two and one-half times the 1939 rate.

Business Activity—Business continues good. Here are some indications:

Retail sales, up 10% now as compared with the same period last year; **steel ingot production**, back up to 82% capacity today as compared with 60% capacity right after V-J Day; **electric power production**, now only 14% below the wartime peak.

Labor Disputes—There has been an upsurge of strikes since V-J Day. The increase has been due in part to the fact that all parties held their grievances in check during the war and observed the no-strike pledge. New strikes since August total approximately 1,500, involving about 1,500,000 workers. During the same time 924 threatened strikes were averted, involving about 400,000 workers; and 868 strikes were settled, involving about 525,000 workers. Labor dispute cases settled through Nov. 24 numbered 2,821, involving about 1,150,000 workers. Time lost through work stoppages since August is estimated at 0.76 of 1% of the total working time available.

Stabilization—The cost of living has declined 0.3 of 1% since the surrender of Japan compared with a rise of approximately 1.3% in a comparable period after the last war. Some of the decrease this time, however, is due to the seasonal decrease in some food prices. Direct controls over wages and salaries have been removed in most fields, but increases have not been allowed to affect price ceilings or costs to the United States, except in some specific and narrowly defined cases to correct maladjustments or inequities.

Inflationary pressures are still great, and danger signals pointing to a further building up through the winter and spring are the rise of real estate, wholesale and raw materials prices. We must continue to hold the line. We cannot permit inflation.

Upholds OPA "Cost Absorption" Principle

Stabilization Director Collet Informs OPA Administrator Bowles That to Allow Current Cost Increases to Be Automatically Translated Into Higher Ceiling Prices Would Be Inconsistent With Executive Orders 9599 and 9651. Says Actual Operating Costs in Transition Period Under Restricted Volume Production Are Not Adequate to Base Fairness of Existing Ceilings.

The Office of Price Administration released on Nov. 29 the text of the letter from Stabilization Administrator John C. Collet explaining the directive filed on Nov. 28 with the Federal Register. This directive interprets the application of the Administration's wage-price policy to the OPA's reconversion pricing formula.

The text of the letter follows:

Dear Mr. Bowles:

You have asked for a ruling on an important question concerning the application of the reconversion and similar pricing formulas. The question is whether, in the application of these formulas, current cost increases resulting from materials price increase or approved wage increases should be automatically translated into higher ceiling prices or whether ceiling prices should be increased only if it is determined that the cost increase cannot be absorbed.

In my judgment any pricing policy under which, at this stage of the reconversion program, current cost increases resulted invariably or automatically in higher ceiling prices, without inquiry into the ability of the sellers involved to absorb them, would be inconsistent with the purposes both of Executive Orders 9599 and 9651 and of the stabilization laws.

(Continued on page 2717)

Securities Salesman's Corner

By JOHN DUTTON

Some More on Regimentation of Securities Dealers

Here are some of the opinions that have been expressed by small retail securities dealers from different parts of the country on the suggestion made in this column last week that dealers organize a protective association. By small, we mean houses that are not members of any exchange, nor large enough to underwrite issues and that have an organization of less than 10 principals and salesmen combined.

There seems to be a general agreement that any new organization that might be formed have as its main purpose the protection of the welfare of the retail securities dealers primarily interested in the "over-the-counter" market; that it should be composed and run mainly by non-member firms and small retail organizations, even though larger firms would be admitted. The consensus of opinion seems to be that the larger firms are adequately represented by existing organizations. The dealers, too, urge that the governing body be composed of representatives of firms having GEOGRAPHICAL DIVERSIFICATION on the theory as one expressed it that "New York City may be the core of the financial apple—but it's not the whole apple—and neither is Chicago or San Francisco."

Now here are some of the specific suggestions for such an organization which might be included in its organizational set-up and its objectives.

One dealer asked us why there isn't some place where he could go to get interpretations of new laws and regulations that affect his business. He said he didn't want to go near the SEC. In fact, he said that from his experience, most dealers wanted to stay away from any contact with the offices of the commission. If he had a question on some point about which he was not clear regarding the Securities Laws he would be glad to pay for such a service. He thought if an organization was ever formed that had the real welfare of this industry at heart, that they could have such a service provided, and that he would be of the opinion that he was getting something besides sandwiches, pickles and cake for his membership. We understand that no legal advice can be given by any such organization, BUT INTERPRETATIONS OF RULINGS AND LAWS COULD BE SENT TO MEMBERS, IN LANGUAGE THAT THEY COULD UNDERSTAND, AND THIS IS PERFECTLY PERMISSIBLE UNDER THE STATUTES.

Another dealer thought it was ridiculous for the NASD to make a survey of mark-up practices of houses handling institutional business, listed business where brokerage charges were simply added, municipal issues, highly active unlisted stocks (such as insurance and bank shares) and also the inactive smaller issues, lump the whole thing together and strike an average of mark-up. WE AGREE WITH HIM. SUCH PROCEDURE IS NOT ONLY UNSCIENTIFIC FROM ANY STATISTICAL VIEWPOINT—BUT THE RESULT CONSISTS OF A DISTORTION OF FACT WHICH HAS BEEN USED BY THE OFFICIALS OF THE NASD TO ATTEMPT TO UNDERMINE THE STANDARD MARK-UPS OF THE SMALL DEALERS. A survey of the past 50 or 75 sales of 1,000 small retail dealers belonging to their own organization—conducted by themselves without fear of persecution—would show a different set of percentages of mark-up than Mr. Wallace Fulton now proudly parades as the result of his last inquisition upon the private affairs of the membership of the NASD.

Then another said: "How about court protection against unfair charges brought against dealers by the NASD or SEC?" There are cases of smaller dealers throughout the country that have been blackjacked into submission . . . just because they haven't had the financial resources to fight. Why shouldn't such an organization have its own fair conduct committee? If a dealer is brought up on charges by any governmental or quasi-governmental agency, why shouldn't this dealer have some place where he could go to plead his side of the matter? Why not have a committee that would hear both sides of such a case? If the dealer was in the wrong in the minds of his own organization he would receive no assistance. If he had justification for his stand, if his rights were being impaired, if he was being KICKED AROUND, then he would receive assistance. Not only advice, but financial support, and a CHANCE FOR HIS DAY IN COURT. This dealer said he'd be glad to "kick-in" his share to defray the expenses of such a defense AND THAT IT WAS TOO BAD WE DIDN'T HAVE SUCH AN ORGANIZATION TO HELP THE SMALL DEALER UPON SEVERAL OCCASIONS IN THE PAST. Thinking back . . . we can remember several such instances ourselves.

These are just a few of the thoughts that are going through the minds of the retail securities dealers around the country. There is a lot more room for good suggestions . . . possibly you too might have a few. If you do, send them along. This column will respect your confidence. There is only one thing wrong with the securities dealers of this country . . . **for years they have lacked courage.** But it seems that slowly they are beginning to stiffen their backbone and are beginning to assert themselves. The first plunge is always the hardest . . . after that the swimming would be easy. What this business needs is a national organization that has THE PROTECTION OF THE RETAIL DEALER AS ITS FIRST AND PRIMARY OBJECTIVE.

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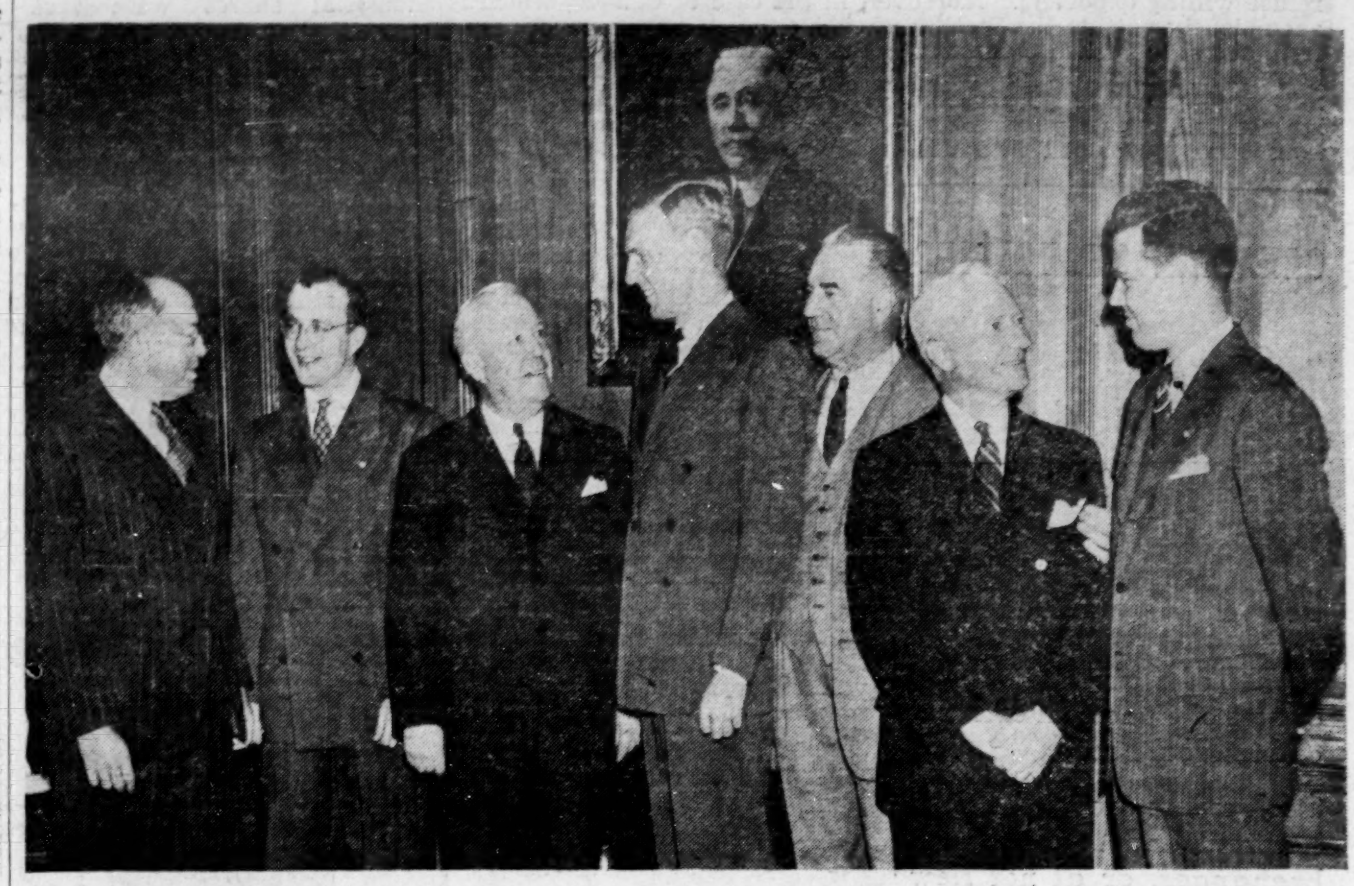
Hemphill, Noyes & Co. Celebrates Thirty Years in Investment Business

Four sons of four senior partners of Hemphill, Noyes & Co., 15 Broad Street, New York City, investment bankers, who recently were discharged from the Navy and Army, began following in the footsteps of their fathers when they started work Wednesday with that firm as it celebrated its thirtieth anniversary. All of the sons are 28 years old.

Three of the young men had achieved the rank of Lieutenant Commander in the Navy and the fourth was a First Lieutenant in the Army. Jansen Noyes, Jr., a graduate of Cornell University, Class of '39, received a commission as ensign in September 1941 and saw considerable action in both the Atlantic and the Pacific. His first assignment was with the U. S. Destroyer Fitch under construction in Boston Navy Yard. During his second year on her he served as Chief Engineer. He was later transferred to the U. S. Destroyer Haraden, on duty in the Pacific, as its Chief Engineer. At the time of his discharge, Lieutenant Commander Noyes was assigned to the Cruiser Little Rock.



Standing (L. to R.) are: Stanton Griffis; Lieut. Nixon Griffis, AUS; Jansen Noyes; Lieut. Comdr. Jansen Noyes, Jr., USNR; Harold C. Strong; Clifford Hemphill, and Lieut. Comdr. Clifford Hemphill, Jr., USNR. Lieut. Comdr. Harold C. Strong, Jr., USNR, missed the ceremony because of a sudden illness that sent him to the hospital.

Nixon Griffis, the son of Stanton Griffis, was a member of the class of '40 of Cornell University. He joined Squadron A of the National Guard in 1940 and after the outbreak of war became a machine gunner in the 101st Cavalry Regiment. He was transferred to the Signal Corps Photographic Center in 1942. He spent some time abroad as a member of the crew that started work on General Eisenhower's picture "The True Glory." At the time of his discharge he was a first lieutenant and head of the Central War Department Film Library.

Clifford Hemphill, Jr., a member of the class of '41 of the University of Virginia, joined the Naval Aviation Service in 1940 and a year later received his wings and was commissioned an ensign. He served as an instructor on Catalina seaplanes at Jacksonville, Fla., from June 1941 to October 1942. He became a patrol plane commander and trained Task Force Squadron 3. He also served as operations officer at Key West, Fla., assigned to Night Attack and Combat Training Unit, Detachment 5. At the time of his discharge, he was a lieutenant commander.

Harold Clark Strong, Jr., was graduated from Yale in 1940 and joined the Navy in July of that year. He was attached to the destroyer U.S.S. Grayson for the war and eventually rose to be its executive officer. He saw considerable and varied action with his destroyer, ranging from convoy work within the Arctic Circle, to assisting the landing of the Marines at Guadalcanal and acting as a screen for the famous Doolittle raid on Tokyo. Some of this destroyer's action and adventures are described in part in the book, "Condition Red," written by Commander Bell. Lt. Commander Strong was subsequently brought back and made executive officer on a new Bath destroyer of the largest type. He was in a number of other naval engagements in the Southwest Pacific and has seven battle stars.

Hemphill, Noyes & Co., members of the New York Stock Exchange and other leading Exchanges, opened its doors for business thirty years ago in a tiny office at 37 Wall Street, to operate on a small capital which the young members of the firm had been able to borrow. During these years it has grown to become a leading investment banking firm with one of the large capital accounts in Wall Street. It has headed or participated in many billion dollars worth of corporate and municipal financing and today is banker for more than one hundred industrial corporations and its partners serve on the Boards of Directors of twenty-five of them.

C. P. Young Elected by First Colony Corp.

Cecil P. Young, previously a Lieutenant Colonel in the Army Air Corps, has been elected a vice president of First Colony Corporation, 70 Pine Street, New York City. Mr. Young was executive vice president and director of Wickwire Spencer Aviation Corporation; executive vice president and director of Wickwire Spencer Metallurgical Corporation; and a director of Wickwire Spencer Steel Company.

Savings and Loan Banks Assets Mount

Secretary Cellarius of Savings and Loan League Says 1945 Shows Largest Gain Yet, Amounting to $886,460,637. Expects an Aggregate of $8 Billions in Assets by End of Year. Ohio Leads, With New York Second, and Massachusetts a Close Third.

The largest gain in assets in a single year which the savings and loan and co-operative bank system of the nation has ever experienced was its achievement in 1944, H. F. Cellarius, Cincinnati, secretary-treasurer of the United States Savings and Loan League, reported to the League's executive council in annual meeting on Nov. 29. The gain of $886,460,637 had brought the business up to $7,479,750,657 as of Dec. 31, 1944, he said.

H. F. Cellarius

"Considering that the year in which we are now operating has been one of even more spectacular increase than last, I think there is no question that we shall be over $8,000,000,000 by the close of 1945," he said.

"Surplus and undivided profits amount to 7.8% of total assets in spite of the rapid growth we have experienced. Every factor in the statistical outlook of savings and loan institutions and co-operative banks points to a readiness to play an unprecedented part in the home ownership expansion of the next decade. Our financial position should also gain for us a new high rank among the savings institutions of the nation.

"In a period of growth and reconstruction the position of the various states in the savings and loan system are likely to change frequently. As of the close of last year, Ohio maintained not only its lead but also its distinction as the only billion dollar state. The second ranking state is now New York which had gone over $600,000,000 by the end of 1944. Massachusetts was a close third with $593,000,000 and we had three others over $500,000,000, Illinois, Pennsylvania and California.

mendation for expanded participation in the home lending program to veterans under the Servicemen's Readjustment Act, pointed to the record of five institutions of the savings and loan type which had made home ownership loans to veterans totalling $300,000 each before V-E or V-J Days had had time to bring any significant number of servicemen home.

"This committee believes that our institutions have a very unusual opportunity to serve the veterans as provided by the statute," said E. A. Minier, Newark, New Jersey, chairman. "It strongly recommends that associations be equipped to offer complete service to veterans and that they so publicize such service as being available under the terms of the Servicemen's Readjustment Act."

The steadily strengthening reserve position of the savings and loan associations and co-operative banks was pointed to by the Committee on Insurance of Savings Accounts. Horace Wilson, Los Angeles, chairman, said that reserves and surplus make up approximately 8% of association assets and that approximately 30% of the total net earnings of the associations are allocated each year to reserve accounts.

"Furthermore the safety factor in associations has been very considerably augmented during the past two or three years by the rapid gain in liquidity position through increased holdings of government bonds. Liquid assets in cash and bonds today account for about one-third or more of total assets as compared with approximately 8% in prewar years."

Says Building Pickup Lags

Savings and Loan League Committees Report Likelihood of Continuation of High Building Costs. Reports Bulk of Veterans Building Loans Are Financed by Savings and Loan Associations, and Predicts Questions of Appraisals and Loan Procedures Will Be Satisfactorily Solved. Calls for Revision of Local Property Taxation and Recommends That Housing Projects Be Conducted Locally and With Private Capital, but Urges Government Assistance in Planning and Research. Calls Attention to Increasing Reserves Built Up by Savings and Loan Associations.

Building costs at least for the foreseeable future are likely to remain relatively high, the United States Savings and Loan League's Committee on Trends and Economic Policies reported on Nov. 30 to the final session of the League's executive council meeting in the Palmer House in Chicago. Lloyd I. Tilton, Santa Barbara, California, chairman of the committee, said that costs of new construction are something like 31.5% above the 1935-1939 level. Reporting for the committee on Home Taxation, B. E. Buckmaster, Tacoma, Washington, said that prospects for huge volume of residential construction at these high costs add a special importance to the question of taxes on homes at this time.

The committee felt it difficult to predict how soon residential construction would move forward, and said that the pickup to date has lagged materially behind what had been forecast.

"In some communities a real scarcity of building materials continues, in others there is little or no construction labor," it reported. "In some areas industrial and commercial building, including gas stations, has been given precedence over home building."

The committee said that home loans guaranteed for veterans of World War II under terms of the Servicemen's Readjustment Act have now reached 27,000 and some 22,000 have been made by savings and loan associations and co-operative banks. Treating of the difficulties felt in some quarters about fitting in with this loan program, the report continued:

"We believe that the questions both of appraisals and the loan procedures will be satisfactorily solved as the business develops and that these problems will be met and overcome just as they were in the case of HOLC loans and FHA-insured loans."

The Committee on Home Taxation said that there has never been a time when there was a greater need for recasting the general property tax.

"Property owners now find themselves caught between taxes based upon increased assessments on the one hand, and increased living costs, and in the case of rental properties, a ceiling on rents," reported B. E. Buckmaster, Tacoma, Washington, chairman of the committee.

"One of the important factors which will determine whether immigrant families will remain in the cities to which industry called them is that of property taxation. Relatively high taxes will discourage such families from undertaking home ownership or even remaining as tenants since high rentals are associated with high tax rates.

The Committee on Housing, reporting through its chairman, E. L. Barnett, Santa Rosa, California, recommended adoption by the League of a six-plank platform, setting forth that:

1. Slum clearance and housing are separate and distinct problems.

2. Both problems are local in character rather than national.

3. Private enterprise has, does and will provide better housing at lower cost than public housing.

4. Unsubsidized public housing is unsatisfactory as compared with privately built housing both as to social and economic qualifications.

5. Where subsidies are necessary for decent housing they should be provided at the individual instead of the community level.

6. The use of public funds for housing should be confined to research and statistical studies and for the acquisition of land for urban redevelopment as provided by law in various states.

The Insured Section Committee of the League in a vigorous recom-

Upholds OPA "Cost Absorption" Principle

(Continued from page 2715)

Some cost increases, of course, will require price increases in reconversion as well as other industries. The price increases, however, should not result from the operation of any mechanical formula but from a determination, on the facts of the particular case, that a price increase is necessary either to maintain generally fair and equitable prices or to avoid hardship impending reconversion.

The standards for deciding this question should appropriately be worked out in your office. Special standards, of course, will be necessary in reconversion industries. In these industries actual operating costs do not, during the transition period to a normal rate of production, afford an adequate basis on which to judge the fairness of existing ceilings. In these circumstances an important factor, among others, to be taken into account is the prospective production rate in 1946 in the particular industry or firm.

The precise answers to these problems, as I have said, ought to be worked out in your office. In order, however, that there will be no misunderstanding as to the general principle, I am today sending to the Federal Register a directive providing as follows:

Maximum prices determined under the reconversion pricing formula approved in Directive No. 78 (10 F.R. 11074) or under any other pricing formula designed for use during an interim period until reliable operating costs are available, shall not be permitted to reflect any increase in legal prices of materials authorized or occurring hereafter, or any increase in wage or salary rates approved by the appropriate wage or salary stabilization agency or instituted hereafter, unless the Price Administrator finds that the reflection of such increases is necessary to maintain generally fair and equitable prices or to prevent hardship impeding reconversion.

U. S. Savings and Loan League Elects Henry P. Irr President

Henry P. Irr, President of the Baltimore Federal Savings and Loan Association, was elected President of the United States Savings and Loan League at their annual meeting in Chicago. Walter W. McAllister, President of the San Antonio Building and Loan Association, and former Vice-Chairman of the League's Postwar Progress Committee, was chosen Vice-President of the Association.

Mr. Irr is the first Marylander to be elected head of the League in more than a half a century of the existence of this organization of 3,700 savings and loan associations, cooperative banks, Federal Home Loan Banks, and local and state leagues of savings and loan institutions. Outstanding participation of his association in making veterans' home loans under the G. I. Bill of Rights in the last year since the program was inaugurated has placed him among the nationally recognized leaders of the business. He has been Vice-President of the United States Savings and Loan League this past year.

Henry P. Irr

Mr. Irr is Chairman of the Maryland State Planning Commission and of the Maryland Commission on Postwar Reconstruction and Development, both by appointment from the Governor. He is also Chairman of the Better Baltimore Committee which has the job of planning the improvements to be undertaken in this city along the lines of arterial traffic, play grounds, slum clearance, parking lots, new markets, etc.

During the war years he was a member of the executive committee of the Maryland War Finance Committee, and his association has also been outstanding in its sale of war bonds to the public.

He has been active manager of the Balitmore Federal for 23 years dating from the time when it was the Pennsylvania Avenue Permanent Building and Loan Association before it attained its federal charter. He has long been a leader in the organization circles in this thrift and home financing business having served as President of the Maryland League of Building and Loan Associations in 1939, and as President of the Southeastern Group Conference of the United States Savings and Loan League in 1941.

Mr. McAllister is a native of San Antonio and has spent his entire business career in that city. He organized the San Antonio Building and Loan Association, now a $7 million institution, in 1921. In 1927-1928, he was one of the organizers of the Texas Savings and Loan League, and has been a director of numerous civic and welfare agencies in his home city including the Tax-Payers Defense League of San Antonio.

J. A. Kiser Returns To Kiser, Cohn Co.

INDIANAPOLIS, IND.—Kiser Cohn & Schumaker, Inc., Circle Tower, announce that Captain Julian A. Kiser, who was connected with the firm from 1937 to February, 1942, has been placed on inactive duty, and is again affiliated with them as a junior executive, effective Dec. 1. Captain Kiser enlisted as a private and was successively promoted to the rank of Captain. He was an intelligence officer with 380th Bombardier Group and was stationed, at various times in New Guinea, Australia, the Philippines and Okinawa.

Capt. Davis With Rollins

Captain Joseph D. Davis, recently returned from nearly two years in Europe with the Army Air Forces, has been released from active duty and has become associated with E. H. Rollins & Sons Incorporated, 40 Wall Street, New York City.

Stein Bros. & Boyce Add King to Trading Dept.

Stein Bros. & Boyce, 14 Wall Street, New York City, announce that Francis E. King, Jr. has become associated with them in their Trading Department.

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Resources Oct. 31, 1945

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For New "Economic Stability" Formula

(Continued from page 2713)

can't stop it as we would a machine and examine it and determine what is wrong before running it again.

"I think the root of our present troubles, in addition to the threat of inflation, is our dependence upon others without a clear comprehension of what this implies," Mr. Robertson said, adding:

"Striking workmen in crowds exercise rights which no individual has. In other words, 10 or 10,000 may do something as their right which one man could not do without committing a crime. This is now accepted in all society, and we commonly use the phrase, 'the right to strike.' Obviously, it is a vague term and needs definition. Society cannot safely be at the mercy of groups of men or organizations. Freedom has taken on a new definition.

"The thought of a few men having control of the atomic bomb jogs us into a realization that their power should be curbed, but what difference is there between having your business blown to atoms and having your business ruined by the same group of men preventing you from using your property? In both cases you suffer equal loss. We need to realize that power to destroy must be curbed wherever it is found or freedom will be lost.

"As far as I am concerned, the man who takes from me by force what is not rightly his is a robber even if a vote is taken on it or if his number is legion. Tyranny may be exercised by the many as well as by one.

"We need to awaken to the fact that there is no end to the business organizations or groups of people who can, by the simple act of stopping work and preventing others from doing their jobs, hold up the rest of society and extract any penalty they wish. We need to acknowledge duties as well as rights."

Unless there is public acceptance of duties as well as rights, the national economy will "slow down by right checkmating right until we are literally doing more and more and producing less and less and the unbalance will become so chronic that we may ultimately run down entirely," Mr. Robertson asserted. He continued:

"To keep going, and go we must, the modern specialized workman must know his rights and duties in terms of modern social needs. It is equally imperative that the employer know his rights and duties in terms of social needs. All of us, whether employer or employe, must recognize and accept the fact that certain rights and duties are fair, reasonable, and necessary to the well-being of society.

"Here is the point where a common standard of understanding must be found if we are to escape the disunity inherent in the diversity of our interests. Due to the confusion of rights without duties, the time of citizens is taken up in disputes which cannot be settled because of lack of accepted standards. Alleged rights are insisted upon. Duties are unknown. Liberty is threatened.

"Is it not time that we, the people, insist on everyone and every organization standing in line and waiting its turn? A little unrest and confusion may be overlooked in our swiftly changing world, but in the end order is of necessity the basic element in our economic stability."

Outlook for Investment Business in Canada

By A. R. DUFFIELD
Vice-President, Wood, Gundy & Co., Ltd.
Retiring Chairman, Canadian Group, Investment Bankers Association of America

Mr. Duffield Traces Growth of Investment in Canada, Both Foreign and Domestic, and Points Out That as Far Back as 1937, Canadian Investment Was About $18 Billion of Which Almost Two-Thirds Was Held at Home. Points Out That Canada's Financing of Both World Wars Was Done Almost Entirely by Canadians, Despite Fact That Government Debt in Five Years of War Increased by Over $13 Billions, or $1,100 per Capita. Holds Canada Is Now Independent of Foreign Capital, but Is Proud to Have Foreign Capital Flow to It and Asserts Canadian Industries Are Financially Stronger Than Ever, and That Opportunities There for Profitable Investment Are Very Favorable.

The investment business in Canada is comparatively new. Prior to World War I, Canada's financing requirements were furnished mainly through British capital, with lesser amounts from the United States. It was with the outbreak of the last war that domestic financing became significant.

A. C. Duffield

In November, 1915 Canada's first large public loan had an objective of $50,000,000, and over $100,000,000 was obtained from about 25,000 subscriptions. From this point on, war expenditures in Canada were financed entirely in the domestic market, aside from $175,000,000 borrowed in New York in 1916 and 1917.

Between March 31, 1914 and March 31, 1920, the Dominion's outstanding public debt increased from $544,400,000 to $3,041,500,000—an increase of approximately $2,500,000,000, or about $300 per capita of the population.

In this domestic financing during World War I, Canadian investment houses played a leading part. Beginning with the first Victory Loan in November, 1917, they directed the Victory Loan organization devised to secure widespread purchase of bonds.

Following the last war, Canada not only continued to attract capital from her own citizens but from foreign investors as well. United States—in her newly-acquired capacity of a great capital-lending nation—increased investments in Canada from approximately $1,800,000,000 to $4,000,000,000. British capital, however, remained practically unchanged at about $2,700,000,000. Domestic capital increased to around $11,000,000,000.

The latest official estimate for capital invested in the bonds of Canadian governments and municipalities, investments in railways, manufacturing concerns, public utilities, trading establishments, mines and other industries is for Dec. 31, 1937. (The estimate does not include private capital in farms or domestic real estate.) The total capital investment of about $18,000,000,000 consisted of 62% owned in Canada and 38% abroad. At the same date, Canadians had invested capital of about $1,750,000,000 in other countries, of which nearly $1,100,000,000 was invested in the United States.

Canada's Economic Expansion

An indication of the industrial and economic expansion in Canada between the two World Wars can be gathered from the following statistics for basic factors:

	1919	1939
Newsprint production	795,000 tons	2,927,000 tons
Wood pulp production	1,716,000 tons	4,166,000 tons
Lumber production	3,820,000 M ft.b.m.	3,977,000 M ft.b.m.
Electric power installed	2,470,000 h.p.	8,289,000 h.p.
Gold production	767,000 fine ozs.	5,094,000 fine ozs.
Copper, lead and zinc production	151,000,000 lbs.	1,391,000,000 lbs.
Nickel production	45,000,000 lbs.	226,000,000 lbs.
Steel production (ingots and castings)	920,000 tons	1,385,000 tons

Canada is a great exporting nation. In 1938—the last full year before World War II—she stood fourth in export trade among the countries of the world, being exceeded only by United States, United Kingdom and Germany. Canada was first among the countries of the world in exports of newsprint, wheat, nickel and asbestos; third in wheat flour and rubber tires; fourth in automobiles and wood pulp.

With the outbreak of World War II—which Canada entered on Sept. 10, 1939—the country's economic resources and financial strength proved more resilient and powerful than most optimistic Canadians thought possible.

In the past six years Canada's

(Continued on page 2776)

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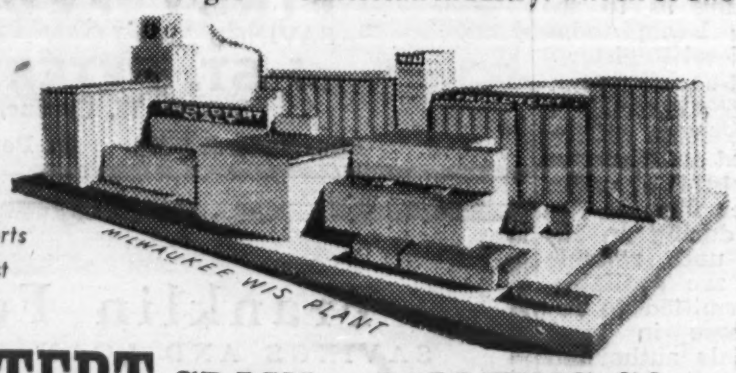
Our reward has been the patronage, respect and endorsement of American industry. WATCH US GROW.

Progress Reports upon Request



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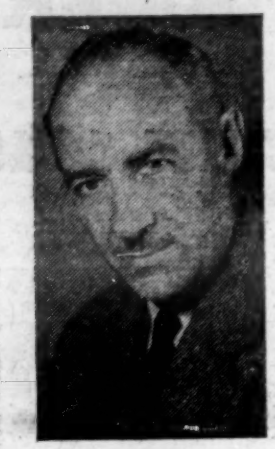

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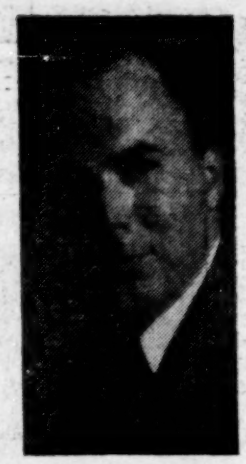

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Protection of Customers—Cardinal Factor

By CHARLES S. GARLAND*
Incoming President Investment Bankers Association of America

In His Inaugural Address, Mr. Garland States That Investment Banking, Despite Wartime Manpower Losses and Distractions, Has Grown Steadily Stronger and Is Prepared to Play Its Part in Maintaining a National Economy Looking Toward World Leadership. Cautions Against Allowing Increased Underwriting and Upsurge in Securities Prices to Diminish Zeal in Protecting Investor's Interests and Says Protection of Customers Is Cardinal Factor in Sound Investment Banking. Calls for a Strong National and International Economy.

I am deeply appreciative of the honor you have conferred upon me, but I am keenly aware of the responsibility which the office imposes.

Charles S. Garland

It is almost four years since our last convention at Hollywood which adjourned on the eve of Pearl Harbor Day. Much has taken place during this interlude and it seems appropriate to consider these war years as background in aiding us to project our future.

A great many of our members have been in uniform and far too many have unfortunately given their lives. Certainly, every man in this room has played a significant part in the service of our country through War Loan Drives, Civilian Defense Committees, Draft or Ration Boards, Red Cross and National War Fund Campaigns. We have every reason to be proud of the contribution made by our membership.

During these four years we have seen democracy at work to a more stimulating degree than ever before. Business men, both capital and labor, have been intimately concerned with Government and Government has worked closely with business. Business has learned to understand the military and conversely the military have an unprecedented respect for business.

And we have found ourselves the pivotal nation in the shaping of the world's destiny—a position we have never before attained.

Investment Banking Stronger

And yet during all this time, the investment banking business, despite our loss of manpower and our many wartime distractions, has grown steadily stronger. Stronger internally through a more intimate knowledge of our own business and through increased material resources; stronger externally through the consistently improved public respect for our business, its personnel and the importance of its functions.

We have lived during these four years strictly on a day to day basis—our food, our gasoline, our domestic servants, our business and even our worries have been rationed daily. It has been virtually impossible to engage in any long range planning.

And then with V-J Day there was suddenly returned to us the opportunity to look ahead and to plan for the future. Such planning should be predicated upon the experience gained during the war years when we have learned something of the responsibility of the United States to the world; the responsibility which each one of us as citizens owes to the United States; and the responsibility of the investment bankers to the economy of the United States.

A Strong World Economy

In considering the future, it is unnecessary to remind ourselves that world peace depends upon a strong world economy and this in turn depends largely upon a strong United States economy, for today the whole world is looking to the United States for leadership. As investment bankers we shall undoubtedly play a significant part in the channeling of investment funds into foreign fields either directly or indirectly through the operation of Bretton Woods or the Export-Import Bank.

One task we have immediately before us is the successful consummation of the Victory Loan Drive. Believing that every private investor, large or small, should own Series E Savings Bonds, I urge our membership, between now and Dec. 8, to review their individual accounts toward that accomplishment.

With the experience of the past four years, it is incumbent upon us to keep alive that higher plane of understanding between Government and business. As citizens, we owe the fulfillment of that objective.

Responsibility of IBA

We must accept the responsibility that the banking and securities business in all its phases constitutes an important factor in our national economy—but we must also understand that its strength can be maintained only by resolving the different points of view which exist among the various segments of the financial business. Having the same fundamental objectives, we must not allow our joint effectiveness to be lessened by internal disunity. The principal functions of our business are to provide for the flow of private capital into the businesses of free enterprise and to create a fair market place for new and outstanding issues of securities with the proper protection for the customers a cardinal factor. We must not allow the increased activity in the underwriting business nor a continued upsurge of securities prices to diminish our zeal in protecting the interests of the investor. Toward these objectives the efforts of this Association and its members will be directed, and I assure you it is with pleasure and enthusiasm that I enter upon this work with our new counsel, Murray Hanson.

The fascinating business of ours was not created by us of this generation. It was handed down to us and we hold it in trust to turn over to our successors. For the first time in four years we now have the opportunity to prepare for the selection of our successors and I know of no more important nor no more pleasant task than the employment and training of young men of character, initiative and human understanding to carry on.

The future holds our greatest opportunity to serve, for we must recognize that it is only the military phase of the war that has yet been terminated and that there remain many serious and complex problems. Therefore, with the experience of the past four years and in light of current and future world events, let us resolve to fulfill our obligations as responsible citizens of the United States engaged in a business which is vital to a strong national and international economy.

*An address by Mr. Garland who is a partner in Alex. Brown & Sons, Baltimore, before the 34th Annual Convention of the Investment Bankers Association of America, Chicago, Ill. Nov. 28, 1945.

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Wants Double Taxation of Corporate Income Ended

IBA Federal Tax Committee Also Recommends That Capital Gains and Loss Provisions of Revenue Act Be Changed by Reducing Rates and Shortening Holding Period. Sees Little Further Relief From Taxation Ahead, With Prospective Reductions Being Confined to Lower Income Brackets.

Richard P. Dunn, Chairman of the Federal Taxation Committee, submitted to the Convention of the IBA at Chicago a brief report on the outlook for future Federal taxation and recommended specifically that double taxation of distributed corporate income should be eliminated and reduced, and that the capital gains taxes should be revised. The text of the report follows:

After V-J Day Congress moved rather rapidly in granting relief from high wartime tax rates. The new tax bill was passed and signed by the President. Briefly, this bill repealed the excess profits tax as of Jan. 1, 1946, and also lowered by two percentage points the corporate surtax rate. Twelve million taxpayers were dropped from the rolls by increasing the normal tax exemptions, and cuts in individual rates provided reductions of approximately 9% in the higher brackets and 18% in the lower brackets. Other changes included repeal of the capital stock tax, the declared value excess profits tax and the automobile use tax. The bill gave real relief to both corporations and individuals for 1946, and taxpayers cannot hope for further reductions (except those resulting from administrative changes) until 1947.

At the present time it appears only a slight chance that Congress will overhaul the entire tax structure next year. Instead there will undoubtedly be further amendments to the present act. At the moment most of the Washington gossip as to do with lower individual rates and a substantial reduction in the excise rates. There is much support for lower individual rates, increased exemptions and more generous treatment of earned income. There is also considerable agitation and interest in providing relief for individuals (and partnerships) engaged in business since the new tax bill gives the advantage to an incorporated business over the sole proprietor and the partnership.

Next year when Congress tackles the job of further tax relief, the estimate of Government revenues for 1946 and 1947 will have a direct bearing on the amount of tax reduction which can be granted. Congress is fearful of a serious inflation, and at the same time realizes that our national income must be high enough (Secretary Vinson says $130,000,000,000 minimum) to produce tax revenues to cover a budget of about $25,000,000,000. If such a national income is to result, production and employment must be at peak rates, and many of our legislators are beginning to realize that serious tax deterrents must be removed.

While much relief has already been granted, it is safe to say that further cuts in individual tax burden will be made next year applicable to 1947 incomes. Most of this will be in the lower and middle brackets, but there should be at least modest relief in the higher brackets.

Your committee recommends that double taxation of distributed corporate income should be eliminated or reduced. Your committee also recommends that the capital gains and losses provision of the act be changed so that the holding period be shortened and the tax reduced. This change, we are confident, would result in attracting venture capital to business and greater tax revenue to the Government. We strongly urge that the above two recommendations be brought by all individual members of our Association to the attention of their Senators and Representatives who need help, want help, and at all times welcome constructive ideas.

Federal Tax Committee—Richard P. Dunn, Chairman; Hagood Clarke, Henry H. Egly, Sumner B. Emerson, Frank E. Gernon, Arnold Grunigen, Jr., Hardin H. Hawes, Harry W. Kerr, James H. Lemon, John R. Montgomery, Augustus W. Phelps, Milton S. Trost, T. Johnson Ward, Elmer L. Williams.

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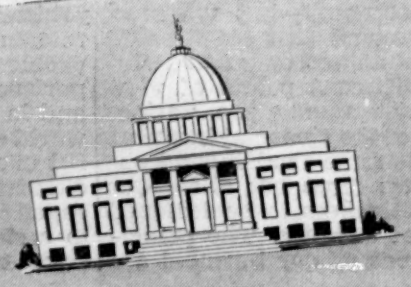

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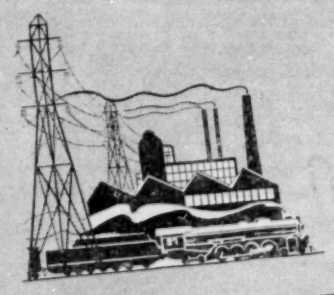

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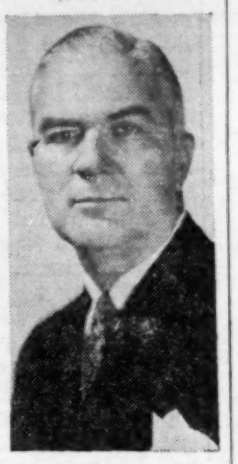
What's Ahead for Investment Banking?

By JOHN CLIFFORD FOLGER*
Retiring President, Investment Bankers Association of America

Stating That Finance, Instead of Demobilizing, Must Move Into Front Position, Mr. Folger Deprecates the Undertone of Hostility Between Banking and Government and Points Out the Need for Heavy Financing and Less Timidity of Capital. Holds Inflation Is Here and That Holding the Line Against It and Paying Off the National Debt Are the Two Pressing Financial Problems. Calls for More Thrift in Government and a Revision of SEC Regulations, Particularly in Registration Procedure and Prospectuses. Holds Trend in Investments Has Been Toward "Skimming Off the Cream" and Urges More Equity Financing. Foresees Renewed Foreign Investment as Much as $20 Billions and Urges Financial Aid to Britain. Says Investment Banking Never Had Greater Opportunities and Cautions Against Using Timidity as a Symbol of Caution.

Three months ago we thought we saw the fair hand of opportunity beckoning us to blissful heights. With the termination of controls, inhibitions, restrictions and exactions consequent on the cessation of combat, we felt like joining the Oklahoma Chorus and chanting "Everything's coming our way." But we soon realized that war's end has not terminated our problems. On the contrary, it has propounded a new series of problems and enigmas dealing with peace and reconversion. Finance is not demobilizing. Rather, it moves into first position. Because we are a closely regulated business we are deeply interested in changes of Government. There we find many new faces.



John C. Folger

*An address by Mr. Folger, who is President of Folger, Nolan, Inc., Washington, D. C., before the 34th Annual Convention of the Investment Bankers Association of America, Chicago, Ill., Nov. 26, 1945.

Twelve years ago the head of our Government, President Roosevelt, addressed a large group of bankers in the National Capital. The banking fraternity was severely taken to task for its mistakes of the past and for its failure to bring in the right answers during the depression. It was implied that no two bankers could agree on anything. Therefore the Government would seek its own solutions, with or without bankers' help. The speech set a certain political pattern for the relationship between banking and Government. It is no secret that for many years there was an undertone of hostility on the one hand and recalcitrance on the other.

Despite some assertions to the contrary, bankers are human beings. They smarted and smoldered.

It is nearly 13 years since the bank holiday. Sixteen years or nearly a generation in banking has elapsed since 1929. It's no good raking over the dead leaves of the past. Here and there throughout the ages occasional voices have spoken of bankers as being stuffy and inflexible. The banker of today and tomorrow must be constructive and cooperative. We have a duty towards this or any future administration. A new note is being struck.

Record Financing

Investment bankers have been busy. The volume of financing for 1945 will probably exceed 5½ billions. This is nearly double last year and up 15% from 1936, the next largest post-depression year. It is noteworthy, however, that for 1945 only about one billion, or 18%, will be new money. The balance is represented by refunding of old securities. It is the same old story: actually very little new private money is really going into business. We are told the figure should reach 3 to 5 billions per year if we are to maintain a proper economy.

Current financing is divided—82% bonds, 12% preferreds, and 6% common stocks. As in recent years, senior securities still represent almost 95% of the total. It has been Government money pumped into the pipeline that has kept things moving.

Studying the disposition of financing we find 40% going into industrials, 31% into utilities, while the once lowly rails reached 26% of the total.

All of this adds up to a year of relatively large volume but with exceedingly low spreads, the lowest in history. We are still mainly occupied with reducing interest rates on outstanding bonds. There has been an accent on rail financing but the much talked of flow of private capital into business remains a trickle in all lines.

Principal excitement has centered around the stock market. There values are up 27% since January 1 of this year. This is not new money into business. It is a flight of capital from cash into equities.

Inflation

The outstanding problem in domestic finance is inflation. For 10 years we have cried, "Wolf, wolf,"—half thinking the wolf would never come. The plain fact is: Inflation is here. Indeed, it has been here for some time. The first signs are painless, even pleasant. Stock market quotations afford popular reading. Bankers watch their mounting deposits with a glow of pride, forgetting their competitor across the street has enjoyed the same growth. By the end of next year and before the Government debt can reach its peak we shall likely have aggregate deposits of 100 to 200 billions in our banks compared with 59 billions in 1929.

Everyone is so busy grinding his own axe and explaining his own

(Continued on page 2766)

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Government Looks to Investment Bankers

By JOHN W. SNYDER*
Director of War Mobilization and Reconversion

Prominent Administration Official Recounts Economic Errors After Last War Which He Says Were Due to Ignoring Warning "Sign Posts." Stresses the Important Role of Investment Banking in Re-establishing a Sound Economy and Predicts Rapid Removal of Restraints and Government Withdrawal From Business. Says Our Corporate Business Structure Will Require Annually $3½ Billions of Additional Financing and That Business Will Need More Working Capital. Urges Financing Geographical Decentralization of Industry and Small Business Venture Capital and Predicts Large Scale Private Financing of Foreign Industry. At New York He Tells Marketing Executives Reconversion is Almost Complete.

I believe that we can agree that the main purpose of devoting time to the study of history is to find a guide to the future. This approach has a particular significance to investment bankers at this time.

John W. Snyder

We find ourselves, at the conclusion of this great war, facing a number of situations and confronted by many of the problems that existed after World War I.

It is often said that history has a way of repeating itself, but fortunately that does not always have to be true.

When I recall the turbulent days through which we passed in the two decades following the first war, I am impelled to pray fervently that we shall see no repetition of those times.

That we shall see neither the boundless optimism that was shattered in 1929, nor the bottomless despair of the early '30s.

I believe that it is healthful for us to admit that in those years we ignored the danger signals which past experience should have taught us to observe. We took a national joy ride—zooming merrily up a beautifully paved road in high gear with the cut-out wide open. But when we reached the top of the hill and the inevitable downward course, we encountered an alarming and frightening fact:

Our brakes would not work.

As we look back we can see that the age-old highway signs and markers were all there. We just traveled too fast to give them proper attention, if, in fact, we saw them at all in our headlong dash.

Those that we did see, we discounted with casual superiority and the disdainful comment that they were put up in a horse-and-buggy era and were no longer applicable.

We greeted with tolerant amusement the suggestion that anything could slow this powerful new machine in our hands.

It *was* a *new* machine.

But is was the *same old hill.*

Nothing is gained by indulging in recriminations or in attempting to lay the blame at this door or at that door. But self-appraisal is a commendable trait and this is a good time to indulge in it.

(Incidentally, in this connection, I would like to recommend for your attention a recent speech made by Walter Lippman before the Association of National Advertisers in New York.)

I believe that the investment bankers of this country, as well as the commercial bankers, and the merchants and industrialists—in fact, all of us, have, from our study of those difficult years, assimilated the lessons they contain. We have walked over the road and identified the old warning signals—and erected a few new ones.

I am confident that you and I are determined to watch for those sign posts and to pay heed to them. Should we fail or neglect to do so, and a repetition of 1929 and 1930 would result, I fear that investment banking, as we now know it, would cease to exist.

The greatest safeguard is self-policing. It entails the establishment of standards that will endure, and adherence to those standards. It will require cautious treading to escape the pitfalls in your path. I think that you, like any good merchant, will not succumb to the fallacy of lowering the quality of the goods you sell, for the sake of a greater turnover and quicker profits—which in the end prove not to be profits, but losses.

Of course you will compete in obtaining business, but not out of a desire to show the greatest volume of sales, but rather with the aim of marketing the best securities at the fairest prices.

The Future Role of Investment Bankers

It is an obvious fact that the investment bankers of this country will play a vital and most important role in the years which lie ahead.

You are a necessary element in gaining the full fruition of our economic hopes. Simply stated—you are highly important, if our economic system is to endure.

The opportunity that lies before the investment bankers today is the greatest in the history of our nation. Investment banking will be of outstanding importance in the financing of new industry, in aiding our economic growth and in meeting the responsibilities of participation in international progress. We will need to expand to provide the jobs, the income and the purchasing power without which we cannot hope to maintain or enhance our living standards.

Of late, your volume of business has been substantial, but it has been mainly a question of refunding—the replacement of higher yielding securities by lower ones.

You have helped to make available to existing industries the easier rates made possible by an unprecedented abundance of savings and other bank deposits, and by the wise course of the Treasury's war finance program.

To keep pace with the demands of our times, it is entirely possible that our corporate business structure will require as much new money in one postwar year as was put into capital assets in approximately five years before the war. This would mean new corporate financing in our country at a rate of some three and one-half billion dollars a year. Recently, the increase has been in the neighborhood of six hundred million dollars in a year. These vast sums will be needed for new plants, better machinery, new safety devices and many other "musts" for modern business. To handle the expected increase in volume of sales, business enterprises will need more working capital than ever before.

The need of industry for new corporate financing is accompanied by a need on the part of the public for sound investment opportunities. There is more money available for investment today than ever before. Liquid assets in the hands of individuals

(Continued on page 2764)

*An address by Mr. Snyder before The Investment Bankers Association of America, Chicago, Ill., Nov. 27, 1945.

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Saltonstall Forecasts Government Actions

Massachusetts Republican Senator Tells Investment Bankers There'll Be No Balanced Budget Until 1948 and High Taxes Will Continue. Sees More Regulation of Business Than Previous to War and More Social Security Enactments. Warns Against Government Undertaking More Than It Can Fulfill and Urges a Democratic Settlement of Labor-Management Relations With a Minimum of Government Action.

Senator Leverett Saltonstall, speaking at the luncheon at the Investment Bankers Convention in Chicago on Nov. 27, told his audience that "the interest of the investment banker in the future of our country is the same as that of every individual; namely, a good home in a good community where he can raise his children and send them to good schools. He wants to save. He wants an easier old age. He will work hard. This means production and good times. Good times bring savings. Savings bring venture capital. Venture capital is what made America produce new inventions. New inventions created the tools that have made America the industrial and agricultural giant of the world with the highest standard of living ever known. You who are investment bankers had much to do with the past. Unless we have a future built upon the same foundations and continue to go ahead with new inventions and new methods of production by which our people secure work, our country will stand still and there will be no business for you investment bankers."

Sen. L. Saltonstall

He further stated that he believed that what the Convention expected to hear from him was what its members might expect from their Government in the next year or two. "You want to know what to expect from your Government in order to work that expectancy into your plans."

No Balanced Budget Until 1948

"One thing you surely will get from your Government," he continued, "is taxes. Today the country has a three hundred billion dollar debt. Even though we provide for no reduction in that debt, we must service it. There probably will be no balanced budget until the 1948 fiscal year, at the very earliest, and then at a figure of twenty-five billion or more rather than less. Until balance is achieved, deficit financing must be continued. The recent tax bill, from all I can learn, might possibly balance the budget a few years hence, this without any debt retirement. But I ask you two questions: First, is it in anyone's interest to cut tax receipts substantially until the budget is balanced and the debt reduced? Second, isn't it worse to cut taxes and then be forced later on to put them back than to keep them at a higher level until the budget is balanced?"

He then went on to say that they could expect a strong Army, Navy and Air Force, and stated that what is finally decided depends on (1) the needs for our own security; (2) the needs of the United Nations Security Council; (3) the size of our National Guard; and (4) possibly the outcome of the debate on universal military training and the unified command measures.

He discussed veterans' benefits and stated, "Everyone expects and wants the veteran to be properly treated, to be hospitalized where he needs it, to receive the benefits of his interrupted education and sufficient loans with proper security in order to get started. All these benefits will cost more, rather than less."

Government Regulations to Continue

He discussed briefly Government regulations and restrictions and stated that there would be more than before the war. But added that controls that are no longer necessary should be dropped as rapidly as possible. This, he felt, was the attitude of Congress.

He further said that social security was here to stay and would Old age assistance, unemployment compensation, an increase in the number of hospitals, and possibly new benefits such as health insurance would increase the costs of social security. But he emphasized that the foundation of social security rested on the integrity of government and government must not promise more benefits than it could afford to pay. Such promises, incapable of being kept, were the surest way to lack of confidence in our form of government.

He continued, "Another tendency of government is the effort on the part of some to use the industries built at the taxpayers' expense to make regional changes in our system of production. This affects particularly the Northeastern section of the country. Government should have the at-

(Continued on page 2763)

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Industrial Securities Committee Concerned Over Control of Aviation Issues

Recommends That if Civil Aeronautics Board Is Given Control Over Sale of Air Line Securities, They Should Be Exempted From Registration Requirements. In Reviewing Corporate Financing, Committee Points Out That Industrials Have Taken More "New Money" Than Rails or Utilities and That More Venture Capital Is Going Into This Field. Holds Private Placements Will Increase in Volume and Calls for Amendment to Securities Act to Require Registration of These Offerings to Equalize Competitive Position With Public Offerings. Urges Passage of Act Authorizing Price Control During Syndicate Operations and Definitely Fixing Effective Date of Securities Registrations. Advocates Government Withdrawal From Industrial Financing and Removal of Unnecessary and Burdensome Restrictions.

In prefacing its report to the 34th Convention of the IBA, the Industrial Securities Committee of which Robert McLean Stewart is Chairman, called attention to proposals in Congress to place the control of air line securities under the jurisdiction of the Civil Aeronautics Board and to require compulsory competitive bidding. The Committee urged that appropriate arrangements be made to insure that the Association representation at the hearings on this proposal and that the views of the investment banking business be effectively presented. The full text of the Committee's report, which covers present problems of industrial finance, follows:

R. McLean Stewart

In September, the headquarters office of the Association referred to your Committee a request received from the Committee on Interstate and Foreign Commerce of the House of Representatives for an expression of the views of the Investment Bankers Association in connection with the "Post-war Transportation Survey" which has been undertaken by the Congressional body.

Your Committee was requested to deal with the subject in its report from the standpoint of its relation to civilian air transportation.

We have, accordingly, examined the documents received by the Association from the Subcommittee on Transportation of the Committee on Interstate and Foreign Commerce and we have given consideration to the many questions which have been raised concerning this matter.

In the opinion of your Committee there is no occasion for the presentation by the Investment Bankers Association of a reply dealing with these questions in detail. It is, however, the view of your Committee that the Association should affirm its belief in certain principles which, in our judgment, provide a sound foundation for the structure of Federal regulation of civil aviation, as follows:

(1) The existence of military air power is chiefly dependent on the aviation industry and on the air-mindedness of the civil population. It is essential that a strong, healthy, and independent civilian aviation industry shall continue in being, not only to serve the peacetime needs of the nation, but to serve as a basis for our air power in the event of another war or grave emergency.

(2) In 1938, the Congress, through the Civil Aeronautics Act, created a quasi-judicial regulatory authority for civil aviation and gave this authority a large measure of independence from political interference and executive control. The Civil Aeronautics Board, as established under that Act, should be continued as the body having regulatory jurisdiction over commercial air transportation and civil aviation generally. The independence of the Civil Aeronautics Board should not be curtailed. Appointments to the Board should be given only to men of the highest integrity, possessing the technical knowledge and experience essential to the proper discharge of their responsibilities.

(3) In general, the 1938 Act operates satisfactorily and is sound in principle. Such changes as may be necessary in this Act should be worked out in conferences between the Congressional committees having jurisdiction and representatives of the civilian aviation industry, the Civil Aeronautics Board and the War and Navy Departments in accordance with the procedures followed in dealing with the proposed amending Act of 1943 (the Lea Bill).

(4) The air transport industry has been soundly financed; and almost wholly by the sale of equity securities. The air lines have experienced no difficulty in obtaining needed capital and no problems have arisen which call for legislative action or for further regulation in this field. We note that a proposal has been made to Congress that the Civil Aeronautics Board be given authority to control the issuance and sale of securities by air transportation companies, including authority to require compulsory competitive bidding. But these are matters which should be left to managerial judgment. The Civil Aeronautics Board now has all of the regulatory authority it needs to accomplish its proper purposes. When they sell securities to the public, the air line companies must register under the Securities Act. The public interest would not be benefited by further regulation in this area; however, if the Congress should decide to give the Civil Aeronautics Board authority to control the issuance and sale of air line securities it would be logical at the same time to exempt the air lines from the burden of registration under the Securities Act by amending Section 3 (a) of the latter Act to include an exemption for air line companies regulated by the C. A. B., substantially identical to the exemption now available under Section 3 (a) (6) of the Securities Act to railroads operating under I. C. C. jurisdiction.

In presenting these views to the Committee on Interstate and Foreign Commerce of the House of Representatives and to the Senate Commerce Committee this Association should, in the opinion of your Committee, express a desire to be heard by these Congressional Committees when questions relating to the sale of securities by air transportation companies are under consideration. Appropriate arrangements should be made to ensure that the Association is represented on such occasions and that the views of the investment banking business are effectively presented.

No industry has done more than the aviation industry to achieve victory in the War. And there are few fields in which the investment banking business has had a more constructive part than in the organization and development of the aviation industry in the period following World War I. We have a right to be heard when the problems of the industry are before Congress and we should not hesitate to appear and state our views.

The New Financing

It is the function of your Committee to deal with matters relating to industrial finance in general. As we look over the field, it appears to us that certain recent trends and developments merit attention and comment.

1944 and 1945 have been years of great activity in the investment banking business. Of what has it consisted?

In the period of four years and seven months from Jan. 1, 1941,

(Continued on page 2761)

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Railroad Committee Notes Further Gains in Carrier Credit

Says Confidence in Rails as Backbone of Transportation System Continues Despite Factors Pointing Toward Traffic Declines and Reduced Earnings. Sees Possibility of Offsets in Improved Equipment, Greater Efficiency and Elimination of Overtime Pay, and Holds Freight Rate Increases Essential if Higher Wages Are Granted Employees, but Warns That Political Pressure on ICA May Thwart Action. Concludes "Railroads Are Prepared as Never Before to Live Off Their Fat."

In its report to the 34th Annual Convention of the IBA, the Railroad Securities Committee, headed by Fairman R. Dick as Chairman took an optimistic view of the railroads, but pointed out that earnings are bound to fall below the wartime levels, and that higher wage rates to employees are in the offing. Higher rail charges to offset these conditions, are held to be essential, but in view of the OPA policies and the Political Pressure of the ICC immediate or adequate rate increases may not be expected.

Fairman R. Dick

The text of the Committee's report for 1945 follows:

The Report of the Railroad Securities Committee for 1944 described the extensive improvement in railroad credit that took place in the preceding year. Improvement has continued at a rapid pace for another 12 months.

The Report for 1944 measured the gains by the prices of a large number of issues. It would seem unnecessary to repeat this list in detail, but the extent of improvement can be illustrated by the following:

	Nov. 15, 1944		Nov. 15, 1945	
	Price	Yield	Price	Yield
Atlantic Coast Line Unif. 4½s, 1964	90¾	5.25%	111	3.67%
Erie Income 4½s, 2015	83½	5.41	99	4.55
Illinois Cent. Ref. 4s, 1955	83⅝	6.07	105	3.40
Northern Pacific 6s, 2047	99¼	6.05	*	*
Pere Marquette 4½s, 1980	101	4.44	†	†
Texas & Pacific Ref. 5s, 1980	99½	5.02	‡	‡

* Called—replaced by 4½s.
† Called—replaced by 3⅜s.
‡ Called—replaced by 3⅞s.

The continued improvement in credit is evidenced not only by a rise in the prices of bonds and the increased number of roads able to refund debt at lower interest cost, but likewise by the increased market value of the stock equity of the railroads, the prices of many railroad stocks having increased in the last 12 months 50 to 100% or more.

The principal causes of the continued improvement in railroad credit outlined in the 1944 Report remain fundamentally unchanged:

(a) A level of net earnings that permits the building up of safety cushions in current assets and makes possible important reductions in debt and fixed charges.

(b) The removal of maturity dangers by anticipatory payments or refunding operations.

(c) Increasing recognition of the importance of our railroads as the very backbone of our domestic transportation.

A year ago it was difficult, in fact impossible, to determine the extent to which cerdit improvement was based on the increased recognition that our railroads are, in fact, the very backbone of our domestic transportation system. Growing confidence today, when increased truck, air and water competition is to be faced in the immediate future would seem clear evidence that this factor is a most important ingredient in the composite credit picture.

Confidence in Railroads Continues

Such a conclusion is strengthened when it is noted that confidence continues unshaken in spite of the substantial drop in traffic and in spite of the rapid rise in operating ratios that has already taken place, not to mention the possibility, if not the probability, that wages and costs will in the near future increase to still higher levels. Moreover, unfavorable factors affecting future railroad earning power are not limited to declines in traffic, increases in wage rates, and the cost of materials and supplies, because wartime earning power reflects abnormally favorable conditions which in all probability will change for the worse in the next 12 months.

One of these factors is the abnormal passenger earnings per passenger train mile, resulting from the unusual loading of passengers into cars, and the other is the abnormally heavy loading of freight cars due to the wartime shortage of cars and the Office of Defense Transportation rules requiring maximum loadings.

It is difficult to estimate in terms of money the cost of a restoration to more normal conditions, but it would seem obvious that when the troop movements are over and the private automobiles are back on the roads passengers will no longer be crammed into cars like sardines. It would seem equally clear that when an ample supply of equipment is available it will no longer be possible to require a shipper to load a freight car to maximum capacity if there is a surplus of cars available and other railroads are competing for the business.

There are of course offsetting factors such as the improvement in railroad efficiency resulting from improved operations and the use of improved power and equipment. Likewise the restoration of normal conditions should improve the production per employee and eliminate the cost of much overtime. Nevertheless, the evidence is convincing that a freight rate increase is an absolute necessity if adequate earning power is to be maintained. The only uncertainty is the size of the required increase. Definite forecasts in this respect are impossible without more definite knowledge as to future labor and material costs.

Estimates of future costs must await a settlement of the present wage negotiations. Barring a negotiated agreement, it would seem probable that a decision would not be reached until the late spring, due to the procedure and requirements of the Railroad Labor Act. In all probability, applications for higher freight rates would await such a settlement. If so, applications for freight rate increases may be expected to be initiated in early summer, in which case a decision could be expected in about six months, that is, by late fall.

This tentative time schedule can of course be expedited or delayed. Much will depend on the attitude of the Government with respect to the entire wage and price problem. At the time of the writing of this Report national policy would seem to be by no means clear, although the apparent determination on the part of Government to restrict prices regardless of costs is not encouraging, especially when it is realized that the level of railroad freight rates enters into the cost of every article of commerce that is transported by rail, either as a completed product or as basic materials prior to manufacture.

Judging from the past, an upward readjustment of the railroad freight rate structure to correspond with the present conditions will not be a matter of mere routine. It would be wishful thinking to expect that the Interstate Commerce Commission would be free from the heaviest kind of political pressures. There is no sign yet of any change in attitude on the part of the OPA or the Department of Agriculture as evidenced by the recent petition to the ICC to cancel permanently the wartime surcharge in rates now suspended temporarily. The recent speech of President Truman would seem to indicate that a test period of at least six months would be required as a basis for any considerable increase in rates.

What effect a prolonged period of very poor earnings would have on credit is impossible to determine. There can be of course no credit crisis such as occurred

(Continued on page 2765)

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Urges Larger Private Holdings of Governments

IBA Government Securities Committee Asks for Periodic Offerings of 2½% Bank Ineligible Issues and Curtailment of Movement Toward Lower Interest Rates. Says Government Adherence to Sound Principles of Fiscal Management Is Essential to Public Confidence.

Herbert N. Repp, Chairman of the IBA Committee on Government Securities submitted the following report to the Association at the Convention of the Association held in Chicago, Nov. 25-28, 1945:

Herbert N. Repp

The war is over, and any appraisal of our war time fiscal policies is purely of historical interest. The sale of United States Government securities to over 85,000,000 people is an accomplishment that speaks for itself. We must now vigorously turn our attention to the formulation of sound policies for the future management of a public debt approaching three hundred billion of dollars.

With skillful and competent fiscal management this debt can doubtless be serviced and eventually reduced considerably without undue disturbance to our economic system. The problem today is so great that we cannot afford to undertake short-sighted or inept experiments.

The Federal public debt today calls for an interest outlay of over five billions dollars per annum. Obviously this is a heavy interest charge, and together with other budgetary items which have been permanently increased by the war will limit the extent to which taxes can be reduced. It will be a mistake, however, to permit the consideration of the interest charges alone to so affect the whole rate structure that it will be brought to a level not in accord with sound principles of fiscal policy or be in the best interests of the entire economy of the country.

One of the most important problems is to endeavor to maintain and ultimately increase the percentage of the debt held by the non-bank investor. A permanent organization, similar in purpose to the present War Finance Committee, should be set up to aid and direct the continued sale of securities outside of the banking structure. It should function immediately so that there be no break in effort to continue the public interest. Care should be taken that the securities offered be of such maturities and rates that the Treasury may continue and even increase the investment of a considerable part of the annual savings of the public in government securities and capitalize on the habits of thrift which have resulted from the public participation in wartime finance. As an example, after the Victory Loan the continuity of the long-term rate should be confirmed by periodic offerings of bank ineligible 2½% bonds.

When the immediate costs of the war have been settled, policies leading to a rapid return to a balanced budget should be adopted, and whenever a budget surplus permits debt reduction should be made effective. At this time the most careful and strict scrutiny should be made of all requests for appropriations so that no unnecessary projects be authorized particularly as the pent-up demand for all types of goods and services gives such promise of high industrial activity and satisfactory employment. Adherence to sound principles of fiscal management is essential if the confidence of the people is to be maintained.

Much of the decline in yields during the past year has been due to the Treasury policy of limiting new issues eligible for commercial bank investment to those of very low yield; and from a practical point of view, now that the war is over, serious consideration should be given to the advisability of permitting this movement to proceed further. If unchecked, the entire rate structure could be so affected as to make unattracive the investment of the savings of the peopie.

The course of government postwar finance will so vitally affect the entire public welfare that the members of the Investment Bankers Association, understanding these problems, must devote special time and thought to their study. The magnitude of the debt held in such volume by banks, insurance companies and thousands of other corporations and participated in by 85,000,000 of our people demands your best thoughts and constant attention.

Governmental Securities Committee—Herbert N. Repp, Chairman; Eugene R. Black, George Buffington, Robert H. Craft, Edward B. Hall, Leo A. Kane, Francis M. Knight, Aubrey G. Lanston, Jay N. Whipple.

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Sees Enlarged Public Utility Financing

Public Service Securities Committee of IBA Reports Largest Volume of New Issues Since 1936. Though This Is Largely Due to Accelerated Refundings Because of Lower Interest Rates, There Is Prospect for Large New Utility Capital Investment, Represented in Part by Common Stocks. Utilities Faced With Labor and Reconversion Problems, and Fair Adjustment of Rights of Stockholders Has Not Yet Been Accomplished Under Public Utility Holding Act

The IBA Public Service Securities Committee, under the Chairmanship of Albert T. Armitage, delivered its annual report to the 34th Convention held at Chicago. The report contained an optimistic view for enlarged public utility financing but pointed out that problems of reconversion and wages as well the SEC's attitude regarding rights of equity stockholders are still facing the industry. The text of the report follows:

Albert T. Armitage

The year under review by this report has witnessed the largest volume of utility financing since 1936. New issues of bonds and debentures of the electric and gas industries reached a total of $1,145,000,000 on Nov. 10, compared to $925,000,000 for the entire year 1944 and $337,000,000 for 1943. In addition, the Bell system entered the capital markets for a sum of $455,000,000 of long term debentures. A number of additional issues are in sight before the end of the calendar year. Of the year's total to date of $1,600,000,000 more than $1,400,000,000 was for refunding issues which in turn had previously refunded earlier issues. No long term debt was publicly offered for the expressed purpose of providing funds for new construction.

Preferred Stock Sales

The preferred stock market was proportionately active with a total of $145,000,000 compared to $127,000,000 in 1944 and $22,000,000 in 1943.

Perhaps the most interesting development came in common stock financing. At the time of the reports of this Committee for 1942 and 1943, it appeared that a substantial number of utility companies would pass to publicly owned authorities. We have, however, during this year seen the sale by holding companies of substantial blocks and whole issues of common stock to the public.

The basis for this enlarged volume of financing is the increased demand for public utility securities. This is most strikingly seen in the Dow-Jones average of utility common stocks, which at current levels is 370% of the low of 1942 and is slightly above the highs of 1937 and 1933. The utility bond market, which showed very little change during 1943 and 1944, advanced substantially in 1945. Moody's Composite Average of Yields on Public Utility Bonds, which remained close to 3.00% throughout 1943 and 1944, is currently close to 2.80%. The result was a greatly accelerated refunding program which accounted for virtually all of the new issues in 1945.

Management Problems

The management problems facing the utilities, now that the Federal tax question has been clarified for the immediate future, are much the same as those of all industry—prices, wages and reconversion. The activities of rate reduction enthusiasts have been held in check by the high taxes borne by the utilities during the war, but with the elimination of the Excess Profits Tax it would be wishful thinking to suppose the regulatory authorities will not try to translate a share of the money released by the Federal Government into lower rates.

Wage Question

As to the wage question, the problem arises from the fact that during the war the utilities carried on their operations with greatly reduced manpower and large payments for overtime. Electric utilities in 1944 paid $388 millions to 201,000 employees. In 1941 they paid 376 millions to 253,000 employees. It is the fashion for labor to demand the same take home pay for a reduced working week, and there is no reason to believe that the utility industry is exempt. Reconversion involves the resale to retail customers of large blocks of power used during the war by war industries. All estimates of the postwar market indicate a large volume of business in electrical appliances, which it is hoped will absorb the reduction in the use of electric current by war industry. Electric utilities, however, will have to rebuild their merchandising departments and while the rates on domestic business are higher the costs of furnishing it are also higher. New capital requirements will largely depend on the success with which these problems are solved, and there is some ground for feeling that demand for new money will appear in sufficient volume to sustain an active new issue market as the present process of refunding runs its course. A new wave of refunding is, of course, dependent on the Government's financing program.

Plight of Equity Shareholders

From the point of view of utility holding company security owners the most serious problem which the year has developed is a fair adjustment of the rights of the equity stockholders. There can be no question that the rise in utility equities has restored to them values which had been given up for lost three years ago. The desperately slow and cumbersome process of making recapitalization plans effective makes it very difficult to adjust to changing conditions. Years have gone by since the passage of the Holding Company Act and yet we are lacking judicial determination of some of the basic issues. A review of the constitutionality of the "Death Sentence" is now in prospect. Certain remarks from the bench in a recent case before the Supreme Court place in doubt the SEC's definition of "additional system." There is confusion on whether senior securities are entitled to par or redemption price. There is confusion on the question of satisfaction of senior securities in "packages" or in cash. It is hard to see how any action of the Investment Bankers Association can make a material contribution to a speedy clarification of these issues, but it would be a tragedy if the current period of buoyant security prices were allowed to pass without seeing the holding company structure placed on a firm legal foundation.

Public Service Securities Committee — Albert T. Armitage, Chairman; William H. Brand; Frederic H. Brandi; John G. Flint; Hugh D. MacBain; Robert Mason; Nathan D. McClure; Clay H. Sorrick; Edward K. Van Horne; Adolphe H. Wenzell.

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New Education Progarm Under Way

IBA Education Committee Tells of Efforts to Attract Capable Young Men to Investment Banking, Has Issued Booklet on Training for Career in Finance and Has Established School at Northwestern University—Will Extend Education to Smaller Centers.

"The program of the Investment Bankers Association of America to attract young men to the investment banking business and to offer them comprehensive courses of training, has been carried forward with considerable success since our last meeting," reports Julien H. Collins, Chairman of the IBA Education Committee. The report continues:

Julien H. Collins

More than 250 men have already been directed to member houses in various parts of the country as a result of interest created in large part by the distribution of our vocational booklet TOWARD CAREERS IN FINANCE, and they continue to come to us in large numbers. Nearly 200 member houses have expressed an interest in interviewing young men who come to the attention of the Association, and a sizable percentage of these firms have already employed applicants who have been sent to them by us, many of whom were recently discharged from military service.

About 5,000 copies of the booklet are still available and will be sent to members who wish to assist us in their distribution. More than 1,500 copies of our vocational booklet have been sent to colleges and universities, while various separation centers of the Army, Navy and Marine Corps have received several thousand. These sources of prospective interest are capable of broader development, and we will continue our efforts in this direction.

It is with considerable satisfaction that your Committee may now report to this Convention that the first units of our training program have graduated from the blueprint stage, and are now in the classroom.

In cooperation with the School of Commerce of Northwestern University, a carefully planned training course in Investment Banking is being offered by the Central States Group of the Association in Chicago and our members in Los Angeles have announced the opening of a similar course on Nov. 15, which is being conducted in cooperation with the University of California.

The Chicago course opened on Nov. 14 with one over its full limit of 50 students, registered by 32 member houses. Those who satisfactorily complete the 126-hour course will receive from the Association, an appropriate Certificate of Achievement on April 26, 1946, the date on which the first course will be completed.

The classroom work will be supplemented by 12 special lectures which will be delivered by men of long experience in various fields of investment banking and banking. The topics of these lectures and discussions will include Government and Municipal Bonds, Portfolio Management for both insurance companies and banks, Analysis of Railroad and Public Utility Bonds, Operation of the Stock Exchanges, and special studies of State and Federal Regulation. The Association is indebted to the men who have agreed to conduct these discussions because they are expected to be a most important feature of the course, and because we propose to use much of this material in the development of study outlines and course manuals for general distribution to our members.

During the past six months, the Chairman of the Committee has met with the group education committees in New York, Chicago, Philadelphia, Boston, St. Louis, Detroit, San Francisco and Los Angeles. In each community there is enthusiasm and support for the program. It now appears likely that training courses similar to the one established in Chicago, will be opened in at least five or six other centers early in 1946.

Member houses in smaller communities have been no less enthusiastic about our plans than those in the larger centers. The unit cost of a training course, however, appears to make it impractical to establish a school unless at least 25 registrants can be obtained.

To provide these members with the benefits of our training program, we plan to make available to them, a complete copy of the Association course, including transcripts of the discussion sessions. Our newly revised reading list of recommended textbooks and references, which has been prepared during recent months should also prove helpful to many of our members. The Association should give further consideration to the sponsorship of a new textbook in investment banking as recommended in the report of this Committee last June.

We have made a good beginning in organizing a small but complete educational staff in the Association's office, but the plans of the Committee are capable of much greater expansion and development when an Educational Director is selected to administer the work which is already under way.

The Committee feels that an Educational Director should accept as one of his important duties, the responsibility of carrying forward an extensive program of field work with colleges and universities to promote student and faculty interest in investment banking.

We are preparing a new generation to administer the activities of our member firms in the future. The time will come when the responsibility of maintaining the high traditions of our business and of further advancing its ethical and professional standards, will be theirs.

Education Committee — Julien H. Collins, Chairman; Andrew M. Baird; Howard M. Biscoe, Jr.; Merle Bowyer; W. T. K. Collier; Samuel K. Cunningham; Allen C. Ewing; W. Yost Fulton; Harper Joy; Waldo W. Mallory; John W. Pancoast; Clyde L. Paul; Donald Royce; Lawrence E. Shaughnessy; Burdick Simons; R. McLean Stewart; Allen B. Tilghman; Adolph E. Weltner; Leroy A. Wilbur; W. W. Wittenberg.

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Urges Fixed Period for Registration Statements

IBA Federal Legislation Committee, Aside From Boren Bill, Sees No Immediate New Enactments. Reminds Membership of Liability Section of Securities Act, Plus Common Law Penalties.

The Federal Legislation Committee, of which Charles S. Garland is Chairman, submitted the following brief report to the 34th Annual Convention of the IBA in Chicago:

Charles S. Garland

This Committee is charged principally with three duties—

1. To keep itself informed of newly conceived or pending legislation.

2. To aid in having new legislation soundly drafted.

3. To aid in having existing legislation amended better to serve the interest of the investor and the needs of our national economy.

The past year, however, has found the Congress so concentrated upon the winning of total victory that very little time was devoted to matters dealing with our business.

New legislation was practically non-existent—the exceptions being the hearings on the Boren Bill, which is discussed more fully in the report of the Municipal Committee, and various inconclusive discussions with respect to aid to small business and the encouragement of venture capital. Sympathetic consideration toward these two matters can be detected in the recent tax bill.

One amendment to the Securities Act was gained; i. e., the increase in the exemption from $100,000 to $300,000.

Your Committee endorses, as minimum objectives, the suggested amendments as contained in the Report of the Federal Legislation Committee for last year, which are set forth in the 1944 Year Book, to which reference is made.

In addition thereto, we recommend the amendment of Section 8(a) to provide that a registration statement will become effective within a fixed period of time after the date of filing, except when an extension is requested by the registrant. This point will be developed to some extent in the Report of the Industrial Securities Committee.

Meanwhile, your Committee feels it within its proper scope to remind the membership that the liability section of the Act as well as common law are still operative and that these liabilities are increasing as markets surge forward. Our membership must not become complacent with respect to the liabilities of the Securities

Federal Legislation Committee—Charles S. Garland, Chairman; Albert T. Armitage, Hazen S. Arnold, James Coggeshall, Jr., Hal H. Dewar, Richard P. Dunn, Newton P. Frye, Stewart S. Hawes, Carey S. Hill, Edward H. Hilliard, Edward Hopkinson, Jr., Joseph T. Johnson, James H. Lemon, John K. Starkweather, R. McLean Stewart, Lyle F. Wilson.

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Municipal Prices Attained Record Highs

Volume of Financing Also Gains. Question of Taxability of "Authority Issues" Still Awaiting Decision of Supreme Court. Boren Bill Not Yet Enacted By Congress and Threat of Federal Fingering in Transactions of Municipals Not Removed. Municipal Securities Committee Condemns Attitude of SEC and Urges Boren Bill Passage

The Annual Report of the Municipal Securities Committee of the IBA was submitted to the Convention on Nov. 27. Though recounting the favorable volume and prices in new municipal financing the Committee, headed by Hazen S. Arnold of Braun, Bosworth & Co., Toledo, called attention to the unsettled questions which have been overhanging the municipal bond market. These questions included the tax status of state and municipal "Authority" issues and the powers that are claimed by the SEC under the Maloney Act over transactions involving state and municipal bonds, and which the Boren Bill now before Congress seeks to have clarified.

Hazen S. Arnold

The text of the Committee's report follows:

This year prices of municipal bonds again set an all-time record high. The Bond Buyer's index of yields of twenty-year general obligation bonds of twenty large cities reflected an average yield of 1.35% as of last May. Each year starting with 1940, with the exception of 1942, a new record high has been established. For review the following tabulation of such yearly highs and the time, may be of interest. They are in marked contrast to the record low of 5.69% in May 1933.

Year	Month	Yield
1940	December	2.18%
1941	November	1.90
1942	November	2.14
1943	November	1.69
1944	August-September	1.59
1945	May	1.35

During the twelve-month period ending Oct. 31, 1945, the amount of new issues of state and municipal securities, including those of U. S. Territories and insular possessions, totaled about $1,500,000,000. A comparison of this financing, divided into long and short term, with like financing during the preceding twelve-month period reflects:

12-Month Period Ending Oct. 31—	1944	1945
Long-term financing	$620,128,087	$834,393,924
Short-term financing	627,389,841	639,289,469
Total	$1,247,517,928	$1,473,683,393

These volume figures were compiled from the The Bond Buyer's record of monthly sales.

Reconstruction Finance Corporation

On Oct. 2, the Reconstruction Finance Corporation published an announcement that it was prepared to make loans to public agencies through the purchase of their legally authorized securities. Such loans are described by the RFC in its revised Circular No. 22.

That portion of Section 5d of the Reconstruction Finance Corporation Act pursuant to which these loans are to be made reads:

"For the purpose of maintaining and promoting the economic stability of the country or encouraging the employment of labor the Corporation is authorized and empowered, under such terms, conditions, and restrictions as the Corporation may determine, to make loans to, or contracts with, States, municipalities, and political subdivisions of States, with public agencies and instrumentalities of one or more States, municipalities, and political subdivisions of States, and with public corporations, boards, and commissions, to aid in financing projects authorized under Federal, State, or municipal law, such loans or contracts to be made through the purchase of their securities, or otherwise, and for such purpose the Corporation is authorized to bid for such securities. * * *"

According to the above mentioned circular, the RFC will make these loans by purchasing the bonds or other securities issued by the borrower. It may purchase general obligation bonds, revenue bonds, notes or other valid obligations that prospective borrowers may be authorized to issue under applicable local law to obtain funds for the proposed projects. The obligations shall be payable from such sources and shall be secured in such manner as may be acceptable to the RFC. The loans may be made for such periods of time, in such amounts, at such rates of interest or discount, and under such terms, conditions, and restrictions as the RFC may determine in each instance in the light of all of the circumstances, and as authorized under state or municipal law applicable to the borrower.

Following the announcement there was widespread concern in our industry as to whether the RFC might be contemplating entering the field of state and municipal security financing in a way that would reflect competition with private industry. We inquired of Mr. Charles B. Henderson, Chairman of the Board of the RFC, as to the policy of that Corporation with respect to the making of such loans. In response Mr. Henderson advised us that "Any fear or concern on the part of municipal bond dealers that we (the RFC) are now about to start upon a policy of competing with, or encroaching upon private enterprise, is groundless." The full text of Mr. Henderson's latter dated Oct. 26, follows:

"I have your letter of Oct. 15 to me in regard to loans by this Corporation to public agencies, which loans are described in our former and present revised Circular No. 22 to which you refer.

"In our announcement to the press on Oct. 2 that loans are available from RFC to public agencies to aid in financing public construction projects, we pointed out, what was omitted from some shortened press accounts, that such loans have been available from RFC for years, both before and during the War. Such loans constitute no new operation by this Corporation and no expansion of our sphere of assistance to municipalities to displace that provided by municipal bond dealers.

"As in the past, this Corporation does not now desire or plan to compete with private lenders to municipalities. We do not wish to provide assistance where we know that a private bond dealer or a group of them will provide it. That has been our actual experience and established policy for many years in which we have been making aid available for municipal projects, and we plan no change from such established experience or policy. Any fear or concern on the part of municipal bond dealers that we are now about to start upon a policy of competing with, on encroaching upon private enterprise is groundless.

"As you know, there are many situations in the municipal construction of public facilities where bond dealers cannot or do not desire to make needed loans, which we can make on a sound basis, and thus make possible the carrying out of needed and desirable municipal projects. Such situations mainly occur in marginal projects where estimated future revenue only slightly exceeds debt service requirements, and where bond dealers will not buy bonds before a project is completed and in operation. Such loans, which can be made by us on a sound basis, supplement and do not displace private financing facilities, and we are authorized by law to continue to make available such assistance to public agencies in order to aid the construction of necessary and useful public facilities.

"I shall be pleased to furnish you with any additional information you would like from us concerning our policy with regard to municipal loans."

Maricopa County, Arizona

In our Annual Report of Nov. 28, 1944, we recited developments in the case of the State of Washington et al vs. Maricopa County, Arizona et al, pointing out that the U. S. Circuit Court of Appeals,

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Ninth District (to which an earlier decision of the District Court had been appealed) did not pass on the merits of the case, but held that the motion which had been made in the District Court by the county for a summary judgment was not well founded and should have been denied because the pleadings showed that there were genuine issues of material fact involved in the case which should have been decided by the District Court.

The case was then again brought before the U. S. District Court for the District of Arizona and arguments and testimony were heard by that Court on Nov. 14, 1944. On Jan. 5 of this year, the judge of the lower court announced that he would decide in favor of the county. On Feb. 27, he rendered his decision holding that the plaintiffs, i.e., the State of Washington and the Equitable Life Insurance Company of Iowa, are not entitled to the relief sought and that the defendants are entitled to judgment, which, we understand, was entered at the time.

The State of Washington and associate plaintiff, the Equitable Life Insurance Company of Iowa, again appealed the decision of the lower court to the U. S. Circuit Court of Appeals. The case was argued before the last mentioned court on Nov. 15, 1945. At the time of writing this report, we have not been advised of the conclusions of the Circuit Court of Appeals.

Port of New York Authority and Triborough Bridge Authority

By way of review, we previously reported on two important decisions during 1944 in the Port of New York Authority and the Triborough Bridge Authority cases. It will be recalled that both the U. S. Tax Court (Jan. 28, 1944) and the U. S. Circuit Court of Appeals (Aug. 24, 1944) upheld the exemption of the interest on the bonds of these authorities from federal income taxes. It will also be recalled that the decisions of both of these courts were based upon the statutory provision and that neither court found the need to go into the constitutional phase of the subject.

During the latter part of 1944, the Treasury Department (Commissioner of Internal Revenue) petitioned the U. S. Supreme Court to review the cases. On Jan. 2, 1945, the U. S. Supreme Court denied the Treasury's petition for review; thus the decisions of the U. S. Tax Court and the Circuit Court of Appeals stand and the interest from the bonds of these authorities is expressly exempt under the law in its present form.

Delaware River Joint Commission

Somewhat over eight years ago, the Treasury Department asserted the power to assess a federal stamp tax upon the bonds issued by the Delaware River Joint Commission—a joint Commission of the States of New Jersey and Pennsylvania. The Commission declined to pay the assessment and sharp controversy followed. Developments were closely observed by state and municipal officials throughout the country as the procedure was considered as a step in the direction of federal taxation of all state and municipal bonds. Originally the Treasury Department demanded payment from the Commission of $41,000 stamp tax plus a penalty of $2,050 and interest of $129.83 upon bonds issued by the Commission in 1933. Conferences were held between the Commission and the Treasury Department in Washington. In 1939 the Treasury Department admitted that close to $31,000 of the assessment had been erroneously made; however, it insisted upon payment of about $10,413 and interest which the Commission declined to pay. In August of 1943, the Treasury Department attached $10,497 of the funds of the Commission. Shortly after the Commission paid the levy under protest and commenced legal proceedings in the Federal Court.

About the middle of October this year, the Delaware River Joint Commission was advised that the Treasury Department would refund the entire amount of the tax which the Commission had paid under protest along with interest. At the same time, it solicited the Commission to dismiss the suit pending in the Federal Court. We understand that counsel for the Commission either has or will move to have the case dismissed. While the amount finally involved in this particular situation was not material, the principle involved was deep seated and far reaching.

Other Court Actions and State Legislation

Appended to this report are references to certain other court decisions rendered and to state legislation enacted during the year. Only decisions and state legislative enactments considered to be of general interest to the municipal trade or of special significance locally are mentioned. Your attention is directed to these decisions and enactments. See Appendix 1, Court Decisions, and Appendix 2, State Legislation.

The Boren Bill

In our Interim Report of last June, we reported on the hearings on the Boren Bill, H. R. 693 held Feb. 20 and 21, 1945 by the Interstate and Foreign Commerce Committee of the House. We understand that the House Committee discussed the bill on May 1, last. On May 4, Congressman, Boren introduced an alternate substitute bill, H. R. 3129. One of the SEC's objections to H. R. 693, expressed at the hearings by Chairman Purcell was that he felt the statute would be unfortunately confusing in that particular form. Mr. Purcell said that if it is the desire of the Committee to amend the law to carry through the philosophy of the bill, some means could be found to make a simpler exemption form.

H. R. 3129 is a simplified expression of the principle contained in H. R. 693. The enactment of either of the two bills would afford the processes of state and municipal security financing the needed protection from SEC regulatory jurisdiction. A copy of H. R. 3129 was shown in our Interim Report of last Jpune and for immediate reference it is set forth below.

A Bill

To amend the Securities Exchange Act of 1934 so as to limit the power of the Securities and Exchange Commission to regulate transactions in exempted securities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3 of the Securities Exchange Act of 1934, as amended, is amended by adding at the end thereof the following new subsection:

"(d) No provision of this title shall be held to confer upon the Commission the power to prescribe rules or regulations imposing any restrictions or requirements with respect to the purchase, sale, hypothecation or negotiation of, or otherwise regulating transactions in, exempted securities; except that this subsection shall not apply with respect to section 8 (c) of this title."

SEC. 2. The second sentence of section 15 (c) (1) of the Securities Exchange Act of 1934, as amended, is amended to read as follows: "The Commission shall, for the purposes of the application of this subsection in the case of securities other than exempted securities, by rules and regulations define such devices or contrivances as are manipulative, deceptive, or otherwise fradulent."

During the hearings last February on H. R. 693, Congressman Wolverton suggested a meeting of the SEC and the affected parties before the Committee took final action on the bill under consideration. Subsequently in keeping with this suggestion. Chairman Purcell of the SEC called such a meeting for July 10, in Philadelphia. In attendance were Chairman Purcell and two of his associate Commissioners and several members of the staff of the SEC. Also present were those representing states and municipalities, the American Bar Association and our industry.

Mr. David M. Wood of Wood, Hoffman, King & Dawson, New York, representing states and municipalities at the meeting reported to Congressman Wolverton as follows:

"The conference between the Securities and Exchange Commission and representatives of the States and municipalities and of investment bankers, which you suggested at the hearing on the Boren Bill be held, was held in Philadelphia on July 10. The meeting was attended by a number of representatives of the States and municipalities, as well as by representatives of the investment banking fraternity. As you will no doubt be advised in detail of the attendance at the meeting, I will not attempt in this letter to mention the names of those present. The Chairman and two members of the Commission were present, as were several members of the Commission's staff.

"Chairman Purcell opened the conference by stating that the purpose of the meeting was not to discuss the Boren Bill, but to consider what action the Commission might take under the existing act with reference to State and municipal securities. Whereupon, speaking on behalf of the States and municipalities, I stated that they were strongly opposed to any regulation of their financial affairs by any Federal agency, and that they were just as much opposed to indirect regulation as they were to direct regulation.

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This position was supported by Mr. Joseph Clark speaking on behalf of the Municipal Finance Officers Association of United States and Canada. Mr. Purcell disclaimed any intention or claim of authority on the part of the Commission to regulate directly the financial operations of these public agencies, so that the entire discussion turned upon whether regulation of the secondary market in State and municipal bonds adversely affected the States and the municipalities. The representatives of these public agencies aserted that it did affect them most adversely, in which position they were supported by the representatives of the investment bankers. The Commission seems to be of the contrary opinion.

"All parties condemned fraudulent transactions, whether they occurred with reference to State and municipal securities or with reference to corporate securities. All agreed that the Commission had power to prosecute those who commit frauds in the sale of securities, both public and private.

"The Commission, however, evidently feels that this power is not sufficient, because several members of the Commission and its staff presented for discussion proposed rules which would require compliance on the part of purchasers and sellers of State and municipal bonds, regardless of the fact that the transaction might be perfectly legitimate.

"The Commission's point of view is that fraud should be **prevented.** No one would object to that, provided it could be accomplished without doing more damage to the community by restricting the many legitimate transactions than is caused by the infrequent frauds. It seemed to me that this was the principal difference between the Commission and its staff and all other persons present at the conference. Both sides, in my opinion, are perfectly sincere, but I am equally of the opinion that the difference between them is irreconcilable.

"We are really confronted with two irreconcilable concepts of government. The Commission apparently adheres to the school of thought that all citizens should be required to conduct their affairs in conformity with rules laid down by the State, while the representatives of the States and municipalities and of the investment bankers adhere to the philosophy that acts detrimental to the community should be declared unlawful and punished, but that in all other respects the citizen should be free to conduct his own affairs in his own way. The first system might be likened to requiring **all** citizens to give bond

(Continued on page 2735)

In Attendance at IBA Meeting

*Abrams, James S.	Allen & Co.	New York
Acheson, A. Glen	Lazard Freres & Co.	New York
Adams, William M.	Braun Bosworth & Co.	Detroit
Agee, Rucker	Sterne, Agee & Leach	Birmingham
Ainsworth, Walter W.	Metropolitan St. Louis Co.	St. Louis
Aldworth, Richard J.	Salomon Bros & Hutzler	Chicago
Allen, E. Ray	Stranahan, Harris & Co.	Chicago
Alley, William M.	A. E. Ames & Co.	New York
Allyn, Arthur C.	A. C. Allyn & Co.	Chicago
Altgelt, E. J., Jr.	Harris Trust & Savings Bank	New York
Andersen, Jonas C.	Blair & Co.	New York
Anderson, Edward C.	Scott & Stringfellow	Richmond
Anderson, Edward E.	Discount Corporation	New York
Andrews, Edmund L.	American National Bank	Chicago
Andrews, Rollin G.	J. M. Dain & Co.	Minneapolis
Angle, J. B.	Morris F. Fox & Co.	Milwaukee
Applegate, George G.	Geo. G. Applegate	Pittsburgh
*Arnold, Hazen S.	Braun, Bosworth & Co.	Toledo
*Arnold, H. Wilson	Weil & Arnold	New Orleans
Arnstein, Frederic A.	Stix & Co.	St. Louis
*Arthur, J. Howard	First National Bank	Pittsburgh
Asch, Jules	Hirsch & Co.	New York
Ascher, H. Albert	Wm. E. Pollock & Co.	New York
Ashplant, Fred'k B.	F. B. Ashplant & Co.	New York
Ashmun, Clifford S.	C. S. Ashmun Co.	Minneapolis
Atwill, William, Jr.	Atwill & Co.	Miami Beach
Augustine, Floyd	C. J. Devine & Co.	New York
Ayers, William L.		Chicago
Bacon, William T.	Bacon, Whipple & Co.	Chicago
Baird, Andrew M.	A. B. Becker & Co.	Chicago
Baker, Dudley F.	Bosworth, Chanute, Loughridge & Co.	Denver
Ballman, John P.	Ballman & Main	Chicago
Barbour, Phillips	First Boston Corporation	New York
Barcus, J. S.	Barcus, Kindred & Co.	Chicago
Barclay, George A.	Kean, Taylor & Co.	New York
Barclay, Wm. K., Jr.	Stein Bros. & Boyce	Philadelphia
Bargmann, Fred A.	Braun, Bosworth & Co.	Detroit
Barr, W. Manning	Barr Brothers & Co.	New York
*Barrow, Wm. Russell	Barrow, Leary & Co.	Shreveport
Barrowclough, George	First of Michigan Corp.	Chicago
Barry, Eugene P.	Shields & Co.	New York
*Bass, Jack M.	Jack M. Bass & Co.	Nashville
*Bateman, Henry M.	Bateman, Eichler & Co.	Los Angeles
Baum, Alvin H.	E. H. Rollins & Sons	Chicago
*Baxter, Mark	Parker Corporation	Chicago
*Bayne, William	F. S. Moseley & Co.	Boston
Beebe, Harry W.	Harriman Ripley & Co.	New York
Beissner, Henry M.	Moroney, Beissner & Co.	Houston
Bennett, Wayne R.	Continental Illinois Bank	Chicago
Bent, Maurice H.	Merrill Lynch, Pierce, Fenner & Beane	New York
Berblinger, Henry T.	Sills, Minton & Co.	Chicago
Bickmore, J. Franklin	Boettcher & Co.	Chicago
Bigger, Richard A.	R. S. Dickson & Co.	New York
Billett, L. Raymond	Kebbon, McCormick & Co.	Chicago
Bingham, W. G.	Bingham, Sheldon & Co.	Milwaukee
*Bitting, Kenneth C.	Bitting, Jones & Co.	St. Louis
Bixby, William H.	G. H. Walker & Co.	St. Louis

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Blair, William McC.	William Blair & Co.	Chicago
Blake, John L.	Eaton & Howard	Boston
Blake, Fred	Cruttenden & Co.	Chicago
*Blakely, W. H.	Blankenship, Gould & Blakely	Portland
*Blanchett, Frederic J.	Conrad, Bruce & Co.	Seattle
*Blankenship, Fred M.	Blankenship, Gould & Blakely	Portland
Blosser, Joseph	Straus & Blosser	Chicago
Blunt, John E. 3rd	Lee Higginson Corporation	Chicago
Bogardus, P. Hurley	Barr Brothers & Co.	New York
Boles, Ewing T.	Ohio Company	Columbus
Bolger, John F.	Shillinglaw, Bolger & Co.	Chicago
Bonner, Douglas G.	Bonner & Gregory	New York
Booker, Y. E.	Alex. Brown & Sons	Washington
Borkland, Ernest W., Jr.	Tucker, Anthony & Co.	New York
Boyce, C. Prevost	Stein Bros. & Boyce	Baltimore
Bradford, H. A.	Calvin Bullock	New York
Bradley, E. Holbrook	Edward M. Bradley & Co.	New Haven
Bradley, Mahlon O.	Paine, Webber, Jackson & Curtis	Chicago
*Bradley, S. Whitney	Eaton & Howard	Boston
Brand, William H.	Wisconsin Company	Milwaukee
Brayshaw, Donald B.	Distributors Group	Atlanta
Brenning, Louise	Julien Collins & Co.	Chicago
Brent, W. Rufus	Eastman, Dillon & Co.	New York
Bridgen, Clarence J.	Paine, Webber, Jackson & Curtis	Chicago
Briggs, J. H.	H. M. Byllesby & Co.	Chicago
Brock, R. M.	Greene & Brock	Dayton
Broome, Robert E.	Guaranty Trust Company	New York
Brown, Austin	Dean Witter & Co.	New York
Brown, Harry	Salomon Bros. & Hutzler	Chicago
Brown, J. Fred	Boettcher & Co.	Denver
*Brown, William T.	Allen & Co.	New York
Browning, Homer	Marine Trust Company	Buffalo
Browning, McPherson	Detroit Trust Company	Detroit
Bryce, T. Jerrold	Clark, Dodge & Co.	New York
*Buckley, Walter W.	Buckley Brothers	Philadelphia
Buckner, Errol E.	National Bank of Commerce	New Orleans
*Buhr, Oscar L.	Detroit Trust Company	Detroit
Buhse, Howard E.	Hornblower & Weeks	Chicago
Bullock, Hugh	Calvin Bullock	New York
*Burge, John D.	Ball, Burge & Kraus	Cleveland
Burgert, Woodward	Harris Trust & Savings Bank	Chicago
Burke, William T.	Bacon, Stevenson & Co.	New York
Burlingham, J. Preston	Bacon, Whipple & Co.	Chicago
Burrows, J. B.	Union Securities Corp.	New York
Bush, Rollin C.	National City Bank	New York
Buttenwieser, Benj. J.	Kuhn, Loeb & Co.	New York
Buzby, William D., Jr.	Butcher & Sherrerd	Philadelphia
*Cahn, William M., Jr.	Henry Herrman & Co.	New York
Caldwell, G. James	Caldwell-Phillips Co.	St. Paul
Callaway, Trowbridge	Dick & Merle-Smith	New York
Campbell, Douglas	First of Michigan Corp.	Detroit
Cannon, Francis A.	First Boston Corporation	New York
Carlwell, Marion H.	J. J. B. Hilliard & Son	Louisville
Carson, James H.	Salomon Bros. & Hutzler	New York
Carpenter, Frederick B.	John Nuveen & Co.	Chicago
Carr, Frank C.	John Nuveen & Co.	Chicago
*Carrington, W. G., Jr.	Ira Haupt & Co.	New York

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Municipal Prices Attained Record Highs

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to keep the peace instead of simply punishing those few who commit disturbances. The Commission seems to be of the opinion that frauds can be prevented, or at least minimized by prescribing the manner in which all transactions in securities shall be conducted. The representatives of the public agencies and of the investment bankers believe in punishing those who commit frauds, but allowing complete freedom for the transaction of legitimate business.

"It was undisputed that fraudulent transactions in public securities rarely occur. A member of the Commission's staff admitted that the Commission, since its organization in the year 1934, had prosecuted but two dealers for fraud in connection with the purchase or sale of State and municipal bonds. I suggested that in view of that statement the Commission made a very poor case for the need for regulation in the field of public securities.

"A member of the Commission's staff suggested a rule declaring it to be a fradulent transaction if securities were bought or sold at a price which bore no reasonable relation to the current market, if any. He stated that the courts have declared this to be the law in any event, and that the proposed rule would simply be a codification of the existing law. I stated at the hearing that I did not think such a rule would be objectionable, but upon reflection it seems to me to amount to the enactment by the Commission into law of the interpretation of court decisions made by the Commission's legal staff, regardless of whether such interpretation may be correct or erroneous. If the interpretation is correct, no such rule is necessary, it is the law in any event. If it is incorrect, it should not be made the law by an administrative agency. That is the function of Congress.

"In my opinion the parties to this controversy are as far apart as ever. The Commission has not disclaimed power to regulate transactions in public securities. It has merely announced that it has abandoned proposed rule X15C1-10, but it is still considering other regulatory measures affecting State and municipal securities. If the Commission does not assert such power of regulation over transactions in State and municipal securities, it seems reasonable to suggest that it announce its approval of the Boren Bill, which simply undertakes to state that it possesses no such power while still leaving it possessed of all the power it now has to prosecute fraudulent transactions in securities, public and private.

"A mere disclaimer of the power of regulation over transactions in public securities made by the present Commission is not satisfactory. The States and municipalities take the position that they should not be asked to rely upon the vacillating views of a Commission, the personnel of which changes from time to time. That is personal government. Are the States and municipalities unreasonable in expressing a preference for government by law?

"The position of the States and municipalities as set forth at the conference can be stated very simply. They contend:

"1. That it is indisputable that regulation of the secondary market for their securities by a Federal agency adversely affects the primary market, and thereby adversely affects their financial operations.

"2. That through such regulation it would be possible for the Federal government to control their finances.

"3. That fraudulent transactions in their securities are so rare and inconsequential in amount that the public interests do not require such regulation.

"4. That in any event regulation

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is not the panacea for all evils, and that the power of prosecution, which is now vested in the Commission and which will remain vested in it if the Boren Bill is enacted, is an adequate means for the checking of fraudulent transaction in public securities.

"On behalf of the States and municipalities I wish to say that the conference merely confirmed my belief of the necessity for the enactment of the Boren Bill."

The Municipal Finance Officers' Association of the United States and Canada, an organization consisting of 1950 public finance officers representing municipalities of forty-eight states, was represented at the conference by Joseph F. Clark, City Treasurer of Wildwood, New Jersey, and Mr. Earl E. Hagerman, Director of the Finance of Dayton, Ohio, a past president of that Association. In its report of the meeting, approved by its Executive Board, many pertinent factors are pointed out. Among them:

"Are all future bond issues as well as all presently outstanding municipal debts to become subjected to direct or indirect fingering by a Federal commission?"

"We are of the opinion, after studying all aspects leading from the Commission's proposals, that if control of any kind is started in the secondary market in municipal securities then all municipalities in the United States, their subdivisions or agencies, as well as states and counties will have to pay the price of higher interest rates on primary financing because it is axiomatic that the secondary market vitally affects the primary market. The corollary of that is, of course, higher taxes."

"Local government has the fear that any step toward control of any phase of municipal security dealings through the machinery of any Federal commission, will simply be an entering wedge for future and probably other stricter controls of other segments of fiscal operations of local government."

"Municipal government officials have no wish whatever to find themselves in any court contest to determine legislative intent as to where Federal control starts and stops in the fiscal affairs of local government."

"All newly issued debt, as well as subsequent purchases and sales, should move in a free and unhampered market. This is another phase of the difficulties our municipalities may expect if protective legislation is not forthcoming."

"We feel that the conference in Philadelphia may have modified the intentions of the Commission in some degree, but we also believe that the cure for the whole question lies with Congress and the enactment of definite legislation favorable to municipalities in the United States."

There is no question as to the power of the SEC to prosecute fraud or a fraudulent transaction in state and municipal securities, as well as in transactions in other securities, under either the Securities Act of 1933 or the Securities Exchange Act of 1934. There has been no suggestion that that power be changed in any way whatsoever. Dealers in "exempted securities" are now, and upon enactment of either H. R. 693 or H. R. 3129 would continue to be, subject to civil and criminal liabilities for a fraudulent transaction. The SEC has full power to prosecute any violation of the law.

The power to prosecute fraud or fraudulent transactions is not dependent upon SEC'S power to define fraud by rules or regulations nor does it justify the SEC regulating, directly or indirectly, the facilities or markets for state and municipal security financing or dictating the manner of transacting business in such securities.

In our opinion the conference with the SEC resulted in nothing that would in any way modify the need for the enactment of the principle of the Boren Bill.

Municipal Securities Committee—Hazen S. Arnold, Chairman; George K. Baum, Edward Boyd, Jr., Douglas H. Campbell, Walter W. Craigie, F. D. Farrell, Joseph H. Fauset, Francis P. Gallagher, John S. Hasfurther, Hardin H. Hawes, John G. Heimerdinger, Leland M. Kaiser, Walter D. Kingston, Newell S. Knight, John S. Linen, George L. Martin, Stanley McKie, J. W. Means, Milo S. Meier, A. B. Morrison, Louis W. Stayart, Fred C. Ulrich, William H. Watterson, Elmer L. Williams, Albert J. T. Woll, E. B. Wulbern.

Report of the Municipal Securities Committee—Appendix 1 Court Decisions

As stated in the report, reference will be made in this appendix only to such of the court decisions handed down during the year that are considered of general interest to the municipal trade or of special significance locally. The following comments concerning these decisions are based upon the Committee's understanding of the situations and are intended for reference purposes only. Counsel should be consulted in each instance for specific information or advice.

Louisiana

It will be recalled that the decision of the U. S. District Court for the Western District of Louisiana, in the Evangeline Parish School Board case, involving the call, prior to maturity, of bonds always considered non-callable, was favorable to the bondholders. We reported this decision quite fully in our Interim Report of last June, advising that the School Board had appealed the decision to the U. S. Circuit Court of Appeals. At the time of writing this report the case is still pending in that court.

Michigan

Callahan vs. City of Berkley, 307 Mich. 701, involved special assessment general obligation bonds issued by the former Village of Berkley, a home rule village. The Supreme Court of Michigan held that a 1925 amendment to the village home rule act "excluded special assessment bonds from inclusion in the debt limitation" even though the bonds carry the contingent general obligation of the village. About two years ago the same court handed down an important decision in this case which sustained the rights claimed by bondholders that special assessment bonds and tax anticipation notes of Berkley, under consideration, are valid general obligations of the city and are not subject to debt limitations. Later on, an appeal was made to the court for clarification of its decision in certain respects. The above decision was accordingly rendered in response to that appeal.

In Council of Village of Allen Park vs. Allen Park Village Clerk, 309 Mich. 361, the court held that the village home rule act which provides that no village shall "authorize any issue of bonds except special assessment bonds . . . unless approved by three-fifths of the electors voting thereon" did not require an electoral vote on special assessment bonds carrying the contingent general obligation of the village.

Ohio

The U. S. Circuit Court of Appeals, Sixth Circuit, in a decision handed down February 26, 1945 ruled against non-consenting bondholders who were attempting to prevent the Village of Solon, Ohio, from taking its Gallagher Act refunding plan under the Federal Municipal Bankruptcy Act. The court further charged the 4.5% non-consenters with the court costs as a penalty for delaying the proceedings. The U. S. Supreme Court refused to review this decision.

On June 6, 1945, the Supreme

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Court of Ohio in a 5 to 2 decision ruled that the real and personal properties of the transit system of the City of Cleveland are subject to taxation by the state, county, city and school district. The court held that such transportation is not a governmental function, and that the city's transit system "is engaged in a private competitive business for profit, and while such property is publicly owned, it is not used exclusively for a public purpose." The court also pointed out that "Public property used exclusively for any public purpose is exempt from taxation for two reasons: (1) it is purchased and maintained by public money derived from taxation and to tax such property would amount to taking public money from one pocket and putting it into another, and (2) the product of the expenditure of tax money should not be made subject to another tax. The property here in question was not purchased with public money. The city is in no way liable for the payment of the mortgage revenue bonds or for the maintenance of the property. If the operation of the transit system should prove to be a losing venture the only recourse of the bondholders would be to sell the property and stand any resultant loss." The court denied an appeal for a rehearing of the case.

The above decision is the outgrowth of an appeal from a decision of the State Board of Tax Appeals in which that body held the Cleveland transit system exempt from such taxes. Following the decision of the State Supreme Court, the State Department of Taxation instructed the County Auditors to prepare a list of all municipally owned utilities.

Consideration is being given to legislative action and/or constitutional amendment for the purpose of establishing the tax exemption of such properties in the future.

Texas

Previous reports advised of developments in the case of Annie Norton, Trustee, vs. Tom Green County, Texas involving the call of county bonds which were directly affected by the Cochran County decision. The conclusions of the courts, apparently governed by the Cochran County decision, have been adverse to the bondholder. An application was made to the U. S. Supreme Court for a review of the case. It was declined by that court on May 21, 1945.

The Tom Green County case pertains only to original bonds, and in the opinion of attorneys does not settle the status of refunding bonds of issues authorized under the controversial statutes. Suit is now pending (The State National Bank of El Paso vs. Tarrant County) in the District Court of Tarrant County, Texas, 17th Judicial District, against Tarrant County in connection with the call for refunding purposes of a bond issue of that county. There is another suit, likewise previously reported (St. Paul Fire and Marine Insurance Company vs. Garza County, Texas) involving the call for refunding purposes of Court House and Jail bonds of Garza County.

Another litigation, previously reported, growing out of the Cochran decision is with respect to Potter County (Gavin vs. Potter County, 187 S. W. 2nd Series). This is in regard to the call of Hospital Refunding Bonds of the county not issued under the statute directly affected by the Cochran decision, but where the county attempted redemption in like manner. The suit was originally brought in the District Court of Potter County, which held the bonds to be callable. Upon appeal, the Court of Civil Appeals reversed the decision of the lower court. The county then appealed to the Supreme Court of Texas which declined to review the case, thus upholding the contention that the bonds are not callable.

State Legislation

The Legislatures of 44 of the states were in session during the year. Referred to below are some of the enactments affecting municipal financing, considered of general interest to the municipal trade or of special significance locally. The comments are based

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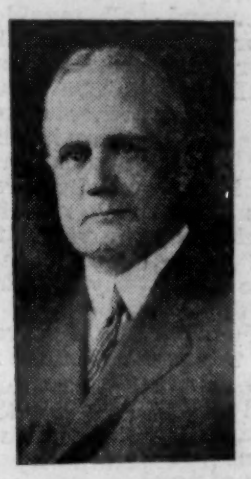

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Municipal Prices Attained Record Highs

(Continued from page 2737)

upon the Committee's understanding of the legislation. For complete information, reference should be made to the full texts of the measures.

Connecticut

The law governing the investment of funds of Savings Banks in Connecticut was changed through the enactment of Public Act No. 328, which became effective June 26, 1945. Among the important changes is the provision that a fixed percentage of the assets may be invested in the bonds of any state in the United States that has not defaulted within the preceding five years on any portion of principal or interest of any obligation issued by such state since January 1, 1890. Under the old law a default by the state within 20 years disqualified the bonds of such state and a default by the state within 15 years disqualified bonds of cities within the state. The requirements for no default by cities has been set under the new law at 5 years without reference to state defaults.

The debt limits for bonds of cities in states other than Connecticut have been increased from 8% to 9% of the "net debt," as defined in the law. There must now be included in this 9% limit all overlapping debt as defined in the law, instead of the city's proportionate share of county and town debt.

Unlimited ad valorem taxes on all taxable real property must now be pledged for payment of bonds of out-of-state cities.

The requirements that cities of other states be incorporated 25 years has been eliminated, but the population requirement of 20,000 has been retained.

A new section has been added providing that a percentage of its deposits may now be invested by any Savings Bank in "bonds which, in its opinion as entered upon its records, are prudent investments for it to make."

Provisions are also included authorizing the investment of a fixed percentage of assets in Housing Authority bonds which meet the requirements of Section 3 of the Act.

Missouri

A new Constitution for Missouri was adopted during the year. Legislation in the form of enabling acts is necessary to make operative the new constitutional provisions relative to the issuance of bonds by political subdivisions of the State; also with respect to other features. Court decisions may also be necessary before some of the provisions may be effective.

One feature contained in the new Constitution expands the debt limit of cities. Any city, by vote of two-thirds majority, may incur an indebtedness up to 10% of its assessed valuation for such purposes as are provided by law. In addition, the city, by vote of two-thirds majority, may incur an additional indebtedness of 10% of the assessed valuation for the purpose of acquiring rights of way, constructing, extending and improving streets and avenues, and sanitary or storm sewer systems. The governing body of the city may provide that any portion or all of the cost of any such improvement be levied and assessed by the governing body on property benefited by such improvement.

Any city, by vote of two-thirds majority, may incur an indebtedness in an amount not to exceed an additional 10% of the taxable tangible assessed valuation for the purpose of paying all or any part of the cost of purchasing or constructing waterworks, electric or other light plants to be owned exclusively by the city, provided that the total general obligation indebtedness of the city shall not exceed 20% of the assessed valuation.

The debt limitation of counties, school districts and other political subdivisions within the state is separate and distinct from the limitations of the cities. Counties may become indebted up to 10% of their assessed valuation. All other political subdivisions such as school districts, road districts, townships, etc., are limited in their indebtedness to 5% of their assessed valuation.

Intangible personal property is to be excluded from the assessed valuation of any political subdivision insofar as its debt limitation is concerned. This intangible personal valuation is not to be subject to the regular ad valorem tax rate but to an over-all levy of not to exceed 8% of the income from such property. It is anticipated that the proceeds from this levy will be divided among the overlapping political subdivisions having power to tax the property.

The new Constitution also provides that cities may issue revenue bonds, authorized by a four-sevenths majority vote, for the purpose of purchasing, constructing, extending or improving revenue producing water, gas or electric light works, heating or power plants or airports, to be owned exclusively by the city.

A feature of the new Constitution about which there is some concern, that is looking ahead to its practical application, relates to the issuance of refunding bonds by political subdivisions. It provides that bonds may be refunded at maturity or call date at a rate of interest no higher than that carried by the original issue. The concern is, where a municipality may in the future be forced to refund maturing bonds during a period when the prevailing interest rate is higher than contracted for upon the original issuance of the bonds.

New Jersey

There has recently been enacted Chapter 194 of the Public Laws of 1945 of the State of New Jersey, which amends the law relative to investments by fiduciaries.

As before, the law authorizes investment in obligations of the United States, the State of New Jersey and municipal subdivisions of the State of New Jersey not in default. In the case of obligations of other states and their subdivisions, the period within which the unit must have been out of default has been reduced by the new legislation from 5 years to 120 days. This default requirement is the only condition applying to state bonds.

The population requirement for counties in states other than New Jersey remains at 20,000, and that for cities, towns, townships, boroughs, villages and school districts remains at 5,000. However, the principal change is that the limitation on indebtedness has been entirely eliminated, leaving the default and population requirements the sole conditions for eligibility. As before, general obligations of special districts, other than school districts, are not covered by any provision of the law, except as described in the next paragraph.

A new paragraph has been added to the law, to cover revenue bonds. While very detailed as to its definitions, this provision is very broad in its scope, and covers bonds secured by the revenues of water works systems, gas systems, electric light systems, express or other highways, bridges, tunnels, ferries or other public utility services, or any combination of these. The only restriction on validly issued revenue bonds is that the issuing unit be obligated to maintain rates sufficient for operating expenses, maintenance and debt service, and that a sufficient amount of revenues be pledged for the payment of principal and interest on the bonds. There is no requirement for actual record of performance. Besides covering bonds secured solely by revenues, the paragraph also provides for eligibility of general obligation bonds which are additionally secured by pledged revenues.

In general, the result of the new legislation is to make practically all state and municipal general obligation and revenue bonds eligible, if they are not in default, except counties under 20,000, cities, etc. under 5,000 and special districts, other than school districts.

New York

In New York the Local Finance Law which became effective Sept. 1, 1945, replaces all existing laws in the General Acts of Special Charters for the issue and sale of bonds by cities, counties, towns, villages, school districts, fire and other districts in the State of New York. The appendix to the Act recites: "This bill is designed to be the exclusive law on the contracting of indebtedness by the municipalities, school districts and district corporations of this state." In one volume now is found all laws of the State of New York authorizing the issue and sale of bonds by such subdivisions of the State.

The State Comptroller is directed by the law to prescribe the methods of preparation, publication and circularizing of notices of bond sales, not inconsistent with the provisions of the law. In compliance with this requirement the Comptroller on Sept. 1, 1945 issued his order describing these requirements in detail.

Ohio

The Senate of the Ohio Legislature adopted, on March 29, last, a resolution memorializing Congress to enact the Boren Bill, H. R. 693. The Legislature also cre-

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ated a State Taxation Committee to make a study of taxation for the state and its subdivisions to be completed by Dec. 31, 1946. Further, it extended the present refunding laws for two years, and changed the right to refund from 100% of maturities to "not more than 75% of bonds which have matured or which are about to mature."

Additionally, the Legislature amended and clarified the law relating to the purchase of municipal bonds by State banks, particularly revenue bonds. Such purchases must comply with regulations promulgated by the Superintendent of Banks and the Banking Advisory Board of the State. The regulations were formulated by those officials after conferring with state bodies, bank officers and various municipal dealers. These provisions may be found in Regulation IV-A—Revenue Bonds, issued by the Division of Banks of the State of Ohio. The specifications are too lengthy to list here, but copy of the regulation may be had from the office of the Superintendent of Banks of the State of Ohio. Each bank is required to keep in its files supporting information and data which will enable examiners to determine that the obligations purchased meet the requirements specified.

Bank investments in direct obligation bonds of municipalities outside of Ohio were formerly limited to those of municipalities with a net debt of not exceeding 10% of assessed valuation. This debt requirement has now been eliminated. Other requirements as to minimum population, default, etc., remain unchanged.

Oklahoma

The Oklahoma Legislature during the early part of the year enacted numerous statutes authorizing the issuance of dormitory and other bonds for self-liquidating projects of various of the state institutions. Provision was also made by Senate Bill No. 162 for the refunding of outstanding dormitory bonds of such institutions. School districts, authorized to furnish transportation, are now permitted to issue transportation equipment bonds under provisions of House Bill No. 503.

Portfolio Management in a Changing World

(Continued from page 2698)

such great risks that sooner or later serious shrinkage of capital may result.

On this basis it is clear that portfolio management, to be successful, does not depend upon making a lot of money over either a short or long period of time. Even if this were to be the end result to the satisfaction of all concerned, it would not prove that the portfolio management had been such as to fulfill the responsibilities of the counsellor to the individual. Successful portfolio management means accomplishing satisfactory results through a policy which greatly reduces the risks over a period of years of taking capital losses, and yet makes it possible to make capital gains when circumstances are propitious. No mechanical method or analysis can be applied to accomplish such results. More or less mechanical approaches may work out for a while, but in a changing world over a long period of time they are too static to survive. In portfolio management, in the final analysis, it is necessary to apply judgment to the available facts and to recognize as far as possible the broad economic, social and political changes that are constantly occurring.

This does not exclude historical precedents and comparisons of the present with the past. A judicious balance between conclusions based on judgment of the future and historical precedents is in fact often the most successful approach to the problem. Obviously, the conclusions based on judgment as to future events must have prior importance; but successful investment management also demands the proper amount of attention to a comparison of present factors with past historical facts. Too great a reliance on judgment may invite disaster. An anchor to windward is provided by recognizing that judgment is fallible and that historic precedents are of some value.

To recapitulate, successful portfolio management is based on certain important investment principles:

1. To recognize, measure, and provide for inevitable errors and the risks inherent in managing investments.
2. To use an approach based upon judgment of all factors involved at any given time.
3. To balance judgment of future events with reliance to some degree upon historical precedents.

If these principles are followed, chances are that a measure of safety will become an inherent factor in policy and that results over a period of years will be better than the judgment of the investment manager, however good that may be.

Practical Applications of Basic Investment Principles

The most important practical application of these principles is to maintain a balanced portfolio of investments. Only a certain proportion of a portfolio should be invested in "sensitive" or equity type of securities, with the remainder invested in securities relatively stable in price. The relatively stable part of the portfolio need not be entirely in cash, governments, municipals, or highest grade bonds and preferred stocks, but should be in securities that have much more moderate fluctuations in price than equity type securities.

A balanced portfolio maintained over a period of years reduces risks, gives flexibility to meet changing conditions, and provides insurance against emergencies. It leaves the individual owning the funds in a more relaxed frame of mind and encourages a more deliberate management of the portfolio by the investment manager.

Successful portfolio management in a changing world demands a considerable variation in the proportion of equity type securities with changes in the broad long range outlook. Such changes should be within certain pre-determined maximum and minimum limits. These limits depend upon the requirements of the individual owning the funds and upon the general point of view, temperament and approach of the investment manager. As a general rule it seems desirable that a maximum position should not exceed two-thirds to three-quarters of the total fund when the long range outlook appears favorable, and one-quarter to one-third when it appears unfavorable. The proportion maintained in equity type securities within these limits at any given time will of course depend upon the specific outlook at that time.

Another important general application of the basic principles of portfolio management is that of maintaining flexibility of point of view. The investment manager must be firm in his opinion, yet flexible enough to recognize, in time, changing conditions. Success is not likely to be achieved if the manager becomes too sold on a policy or if he vacillates too much in his point of view. A questioning frame of mind as to the validity of his views is a healthy state of mind. He should always be in process of reviewing and reappraising possibilities, yet maintaining the degree of firmness necessary to insure continuity of approach and policy. On the one

(Continued on page 2740)

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Portfolio Management in a Changing World

(Continued from page 2739)

hand, he should not attempt to look ahead too far into the future because of the impossibility of judging conditions that may prevail several years hence; while on the other hand it is essential to judge conditions far enough ahead to insure that a broad perspective is maintained. The investment manager should have an opinion regarding prospects beyond say one year; but that opinion should not be regarded with too much confidence.

Diversification of a portfolio is important, but diversification for its own sake to the detriment of other considerations does not have merit. Diversification should not be a substitute for judgment. Too great diversification means improper dispersion of effort and perhaps opportunities overlooked or disregarded. Between 20 and 30 equity type securities seem sufficient in the average portfolio. This should satisfy the need for diversification and afford ample opportunity for favorable selections of individual securities.

The selection of indiivdual securities does not have to be confined to "Blue Chips" or names that have become familiar in everyday life. Equities of medium or small sized concerns, with greater than average promise for the future have an important place in portfolio management. Inclusion of such securities enhances the prospects of capital gains over a period of years and counteracts to some extent the mistakes that will occur in the choice and timing of investments made in equities that do not possess growth characteristics. Furthermore, it is a part of portfolio management to invest in speculative equities whenever prospective capital gains appear great enough to offset very substantially the larger element of risk. It is essential to bear in mind this larger element of risk, particularly during periods when conditions are favorable and many speculative stocks become "respectable" in the eyes of many investors.

In portfolio management patience is of great importance. Many more mistakes have been made because of lack of patience than because of too much patience. Time is an important element in holding equity type securities, both from the point of view of accumulation of income and from the point of view of capital gains. Patience is also required in making important changes in policy. The successful portfolio manager assumes that he will never be able to change his fundamental policy near the tops or the bottoms in the market. The ideal is to make such changes early, even though much patience may be required before events bear him out. Yet it is important that a fundamental shift in policy does not take place so early that important opportunities are lost. Therefore, portfolio management should be based on a process of a gradual shift in "risk" securities with changes in the outlook and in the level of security prices. This is merely another application of the principle of insurance and the weighing of risks in investment management.

To recapitulate, certain general applications of the fundamental principles of portfolio management should include:

1. Maintenance of a balanced portfolio to include only a certain proportion in equity type securities.

2. Changes in the proportion of equity type securities within predetermined maximum and minimum limits.

3. Maintenance of a flexible point of view to recognize changing conditions.

4. Judging conditions far enough ahead to permit the application of a consistent and broad policy.

5. Diversification of investments but not diversification for its own sake alone.

6. Investments in young and growing concerns as well as well known concerns and in speculative securities when warranted.

7. Sufficient patience to allow expected developments to come to fruition or at least to afford a test for one's judgment.

8. Making major policy shifts early but not too early, and making them by degrees.

Specific Application of Investment Principles to the Present Situation

I am not dealing with all the detailed facts and methods which are the tools used by the investment manager. His problem in determining policy is twofold. He has to obtain and put together in the most helpful manner the facts he considers relevant in determining the most likely future developments and in comparing present conditions with the past. He then has to arrive at a conclusion, based upon judgment, as to the net impact in the securities market of the various factors or trends which appear to dominate the situation. He has to weigh their relative importance and to determine the net effect likely to accrue from their combined action. This of course makes it difficult to arrive at accurate and dependable conclusions and gives a very wide opportunity for disagreement among experts. The outlook is generally dominated by a few overshadowing factors which will determine the character of the broad developments ahead. The real problem is to determine these factors and to judge their combined effect on security prices.

Without going into the details as to the outlook at the present time, which is not the purpose of this article, it is my opinion that the fundamental trend of stock prices is still up even though on a historical basis stock prices are relatively high. The major factors dominating stock prices at present are likely to continue to do so for some period ahead, say for at least another year. I also hold the opinion that interest rates will continue low and, in fact, that long term rates may even be lower than they are at the present time.

In my judgment, therefore, a portfolio manager should continue to maintain a substantial proportion of funds in equity type securities, but this proportion should be smaller than during the last three years because of the high level of stock prices. The proportion of equity type securities under today's conditions should be no more than 50%. The common stocks should be built up gradually in view of the large recent rise in stock prices which can at any time be followed by a reaction of some magnitude. Such a reaction should be utilized to complete the buying program.

Bearing this in mind I have set up the following portfolio for $100,000, which illustrates the application of the investment principles discussed. This portfolio could just as well be $500,000 or $1,000,000.

The securities included in this portfolio are not necessarily those which I, as a portfolio manager, recommend to individuals at the present time, and neither do the proportions shown necessarily reflect the policy that I would recommend. Also the number of common stocks is greater than I would normally include.

There are several observations to be made with respect to this portfolio. The stable "reserves" include only Government bonds,

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which are the most attractive available securities for the purpose. The relatively stable securities include one convertible bond with well-defined downside price risk and potential capital gain of considerable magnitude; one guaranteed railroad stock where potential developments should lend price stability; and three good to high grade preferred stocks, including one convertible preferred with capital gain potentials.

The next group of securities, which carry more risk but still should be more stable in price than common stocks, include several securities in which special developments could result in capital gain.

The common stock list has been selected to give a reasonable balance between high grade well known companies, medium sized companies with better than average growth possibliities, and speculative stocks. These stocks should give a better than average price performance as a group over a period of time. Approximately one-half belongs to the category of good quality to "Blue Chips," about one-quarter to the category of long term growth situations, and another quarter are stocks with speculative appeal. Many other securities can be selected to give the same overall results and individual portfolio managers would undoubtedly make somewhat different selections.

The current income from this portfolio is low. It reflects the high prices of securities in today's market. On the other hand many of the companies selected may increase their dividends during the next two years.

The yields by groups follow:

Stable securities	2.5%
Relatively stable securities	3.3%
Securities with some price risk	3.9%
Common stocks	2.9%
Overall yield	3.0%

It is an interesting commentary upon current conditions that if common stocks are selected with a promising outlook, the overall yield is no more, or at least only a little more, than 3%. Also, that it is no longer possible to include preferred stocks and bonds to "sweeten" very much the overall income from the portfolio without inviting risks that appear excessive.

The yield from this portfolio can be increased by purposely selecting high yielding common stocks. Except in individual cases when an abnormal return is of paramount importance such a procedure does not square with the basic principles formulated. It reduces the quality of the investments and may easily eliminate opportunities that the portfolio manager should take advantage of.

In conclusion, it is evident that the portfolio manager today is faced with a difficult task. Common stocks generally are high in price and yet the possibility clear-

(Continued on page 2742)

SUGGESTED INVESTMENT PORTFOLIO
Securities Other Than Common Stocks

No. Units		Price	Approx. Value	Income
	Stable Securities:			
$25,000	U. S. 2½%, 1967-1972	100	$25,000	$625
	Yield			2.5%
	Relatively Stable Securities:			
$2,000	Penn Central Airlines conv. 3½%, 1960	121	$2,420	$70
No. Shares				
10	Car. Clinchfield & Ohio stock	133	1,330	50
25	Commercial Credit conv. 3.60 pfd.	113¼	2,831	90
20	N. Y. Power & Light 3.90 pfd.	107	2,140	78
20	Tide Water Assoc. Oil 3.75 pfd.	106¾	2,135	75
			$10,856	$363
	Yield			3.3%
No. Shares				
	Securities With Some Price Risk:			
25	American Power & Light $6 pfd.	101	$2,525	----
20	Armour & Co. $6 prior preferred	125	2,500	$120
50	Aviation Corp. conv. 2.25 pfd.	56	2,800	112
40	Blue Ridge $3 preferred	55⅞	2,235	120
20	Commonwealth & Southern $6 pfd.	124	2,480	100
30	El Bond & Share 4.20 preferred	73	2,190	126
			$14,730	$578
	Yield			3.9%
	Total		$50,586	$1,566
	Yield			3.1%
	Common Stocks			
No. Shares		Price	Value	Income
25	American Airlines	85	$2,125	$25
20	American Can	105	2,100	60
20	American Home Products	100	2,000	60
100	Bucyrus Erie	18	1,800	70
60	Carrier Corporation	30	1,800	---
20	Chrysler	128	2,560	60
40	Columbia Broadcasting "A"	48	1,920	72
10	DuPont	183	1,830	52
65	Engineers Public Service	33	2,145	---
35	Ex-Cell-O	61	2,135	91
20	Great Northern preferred	61	1,220	60
25	Green (H. L.)	75	1,875	62
20	International Harvester	96	1,920	60
20	Johns Manville	140	2,800	56
50	Kennecott	48	2,400	125
25	Montgomery Ward	71	1,775	50
100	National Gypsum	22	2,200	25
150	Pantapec Oil	14	2,100	72
30	Philip Morris	68	2,040	68
30	Phillips Petroleum	56	1,680	60
50	Pepsi-Cola	36	1,800	42
40	St. Joseph Lead	53	2,120	80
50	Standard Oil Indiana	42	2,100	75
25	Underwood Corporation	74	1,850	62
50	Union Bag & Paper	24	1,200	38
			$49,495	$1,424
	Yield			2.9%
	Grand Total		$100,081	$2,990
	Yield			3.0%

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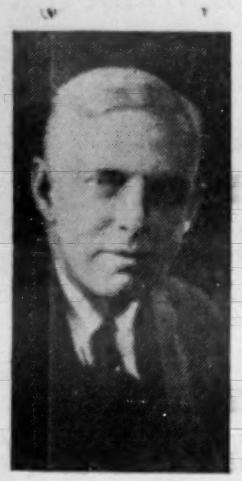

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Portfolio Management In a Changing World

(Continued from page 2741)

ly exists that before the fundamental trend has exhausted itself even higher and very unsound prices for common stocks may prevail. Securities other than common stocks are becoming less and less attractive from the point of view of income and capital gain. The average individual, over a period of time, will have to be content with a smaller return on his capital. Unless his capital has already increased or will increase before the long term upward movement terminates, it will be very difficult for him to obtain satisfactory income from the stable securities he should own when the fundamental trend changes.

During the next few years it will perhaps be more important than usual consistently to follow tried principles of investment management. The responsibilities of the portfolio manager may become greater than usual, and competent management of portfolios may be at a premium.

Sept. Steel Payrolls At Higher Hourly Rate

Hourly earnings of wage earners in the steel industry in September averaged 123.4 cents per hour, compared with 121.0 cents per hour in September, 1944, according to the American Iron and Steel Institute, which further announced:

"Every month this year the average earnings of employees receiving hourly, piecework or tonnage wages have been above 123 cents an hour. In August the figure was 125.3.

"Meanwhile, the average number of employees in the industry in September was close to the level of early 1940. The employment average of 521,200 in September was below the August average of 542,700 employees, partly because of the temporary period of adjustment which followed V-J Day. In September, 1944, the employment average was 565,200.

"Monthly payrolls declined during September to a total of $119,107,500, compared with $128,117,000 in August and $142,209,500 in September, 1944.

"Wage earners worked an average of 40.9 hours per week in September against 40.4 hours per week in August and 47.2 hours in September, 1944."

In Attendance at IBA Meeting

(Continued from page 2735)

Carter, DeWitt	Nashville Securities Co.	Nashville
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Carter, John A., Jr.	Vance, Sanders & Co.	Los Angeles
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(Continued on page 2748)

Pays U. S. Seizure Claims

Under date of Nov. 20 Associated Press advices from Washington stated:

Mexican Ambassador Espinosa de Los Monteros today presented to Secretary of State Byrnes a payment of $2,500,000 as the fourth annual instalment due from his Government on a $40,000,000 settlement of claims by citizens of the United States.

The claims were lodged as a result of Mexican Government seizure of American private property, other than oil properties, several years ago. With today's payment, the balance due stands at $24,000,000.

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A Gold Coin Standard for U. S.?

(Continued from page 2699)

coinage and issuance of gold coins of the value of $10, $20, and $50, and for the issuance of gold certificates.

Bad Features of Bill

Two features of these bills can be condemned outright: (1) They would not provide the United States with a gold-coin standard; instead, they would again subject the currency of the United States to all the uncertainties involved in the possibilities of unexpected and repeated changes in the standard monetary unit, and (2) the provisions for bimetallism constitute a denial of the value of the lessons taught by the world's experiences with bimetallism. Obviously the bill, regardless of what the other intent of its author may have been, would provide for further subsidies for gold and silver producers.

The provision for increasing the dollar price of an ounce of gold (and silver) is also a noteworthy commentary on the theories of those who have been insisting that gold has lost, or will lose, its value, and is a relic of barbarism.

"The Wall Street Journal" of Nov. 17 reports Administrative opposition to these bills in the following words, among others:

> "The Taylor-Murray Bill to put gold in circulation and restore the Government's authority to alter the gold content of the dollar is getting no Administration support."
>
> * * *
>
> "Administration monetary experts are strongly opposed to suggestions that currency be made convertible into gold. . . .
>
> "The experts point out that if gold were placed in circulation and holders of currency and demand deposits decided to demand it, there would not be enough to go around. Thus the legislation might be a serious threat to the nation's monetary system in times of panic."

If any of the Administration's opposition to these bills relates to a revival of the power of the President to devalue our gold and silver coins and to the provisions for bimetallism, that opposition is of course encouraging. But the reported grounds of opposition to a return to a gold-coin standard, assuming that the devaluation and bimetallic provisions of the bills may be eliminated, raise important questions. They are important, regardless of whether these bills ever reach the stage of serious consideration, since they go to the heart of the question of the soundness of our monetary standard. Furthermore, the reported opposition is in harmony with the nature of the Administrative opposition to a gold-coin standard that has been revealed steadily and repeatedly since the suspension of gold payments in March, 1933.

Fallacy of Administration's Policy

The contentions of the Administration that our domestic currency should not be made directly convertible into gold coin, chiefly because there might be hoarding of gold and because "there is not enough gold to go around" if demands for it should exceed our gold reserves, are not valid. Their unsoundness should be understood since they constitute basic considerations in the issue of a gold-coin standard versus a "managed" paper money system.

Since, under our present international gold bullion standard, people of other countries can get our gold, the question arises as to why our own people should not be able likewise to convert their claims into this gold. The fairly obvious answer to this question is that our Government cannot control the foreigner as it does our citizens. It can compel our citizens to take something less desirable than gold, but if it deals with the foreigner—buys his goods or services or makes loans to him—he can demand the gold or refuse to accept our domestic currency except at a discount. Consequently, our Government in effect says to the foreigner "come and get it," but to our own citizens it says that if they try to get it and hold it, except for use in the arts, industry, and professions as provided in law, they shall forfeit the gold and be subject to a penalty equal to twice the value of the gold.

Does not a fear of domestic hoarding of fractional gold reserves constitute an admission that our other monetary reserves —also fractional—are either less desirable than gold or are really not obtainable? The answer is yes on both counts. By the law of June 12, 1945, gold certificates alone were made lawful for reserves against notes and deposits in our Federal Reserve banks; and these cannot be paid out to the people of this country. Prior to that date, silver and certain varieties of our paper money also served as lawful reserve against deposits in the Reserve banks and could, as part of this reserve, be paid out. Today, they can be paid out only as non-reserve cash but not as part of the lawful reserve. But when they were used as reserves, there was little fear of a hoarding demand for them since they were very different from, and inferior to, gold.

Administration's Objections to the Acid Test

Does not the Administrative opposition to the gold-coin standard demonstrate a fear of subjecting

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the Administration's monetary and fiscal policies to the acid tests which such a standard could, and perhaps would, apply? Many in the Administration and in Congress have been asserting that inconvertible paper currencies are superior to gold. If their contention be sound, then these advocates of such paper money should welcome the test which the people could, and probably would, make under a gold-coin standard. If the paper money of this type is as good as, or better than gold, the people will not prefer gold to the paper. Here is the opportunity for the advocates of a paper money not directly convertible into gold to demonstrate their good faith in respect to the arguments they have been offering during the last dozen years. It is clear that they are afraid to subject their theories to this test. What they want is freedom from the tests and restrictions which a gold-coin standard would apply to their inferior currencies and fiscal policies.

The "Scarcity of Gold" Argument

The Administration's argument that the gold-coin standard is not sound because there is not enough gold to go around is naive in so far as economics is concerned. There is not enough of anything to go around if it has value. Anything that has value is scarce. There is enough only of those things that have no value! Germany put this simple principle to a thorough test when she printed *enough* inconvertible paper marks! When the people had enough, the marks had no value!

To say, therefore, that we should not use gold because there is not a sufficient supply to go around and that all who have a "right" to claim it cannot exercise that right at all times, is to disregard the meaning and significance of value. All people who have a "right" to cross the George Washington Bridge could not use it at the same time. The same is true of railroads, ships, airplanes, and highways. All who have a "right" to use the elevators in a building could not use them at once in case of a panic. Therefore fire escapes are provided, and these are precisely what any good monetary standard requires no matter how nearly perfect it may be — fire escapes to meet panic conditions. Our monetary fire escapes have not been good, nor have they been adequate. There is still room for improvement, and it is to this point that more careful attention should be directed.

Is an Inferior Standard Desirable?

A remarkable thing about the Administration's position in its opposition to a gold-coin standard is that it really amounts to contending that an inferior currency is more desirable than the best domestically. Foreign exchange rates, which reveal the various rates of discount at which non-gold currencies pass in terms of gold, would seem to provide ample proof of the unsoundness of the Administrative position.

Then there is the question as to whether our gold should be the property of the people or of the Administration which happens to be in temporary political control. Further questions which logically flow from this one are these: Why should not every person be permitted to place his savings in the object of his choice? If one prefers to sell his products or services for gold instead of an inconvertible paper money or high-priced, low-interest-bearing securities, or an over-valued silver, why should he not be permitted to do so? On what logical or legitimate ground can a Government justly say to the citizens: "You cannot invest in gold, we shall take that; you must take inconvertible paper money, an over-valued silver, and our Government securities?"

It is important to understand the disadvantages to which the people of the United States have been subjected because they have not had a gold-coin standard in recent years.

Weakness of Present Currency

When this Administration deprived the people of this nation of the gold-coin standard in 1933, it also deprived them of the automatic control which a people should be able to exercise over any unwise or improper use of paper money and credit, whether issued by banks or the Government and, consequently, over the use of the public purse. With the suspension of gold payments, the automatic control by the people of this country over the public purse was swept away. Such controls as remain can be exercised, if at all, only through much less reliable and less effective channels. In recent years these controls, obviously, have been of negligible importance. When a Government can deprive a peo-

(Continued on page 2746)

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A Gold Coin Standard for U. S.?

(Continued from page 2745)

ple of practically all control over the public purse their position has become dangerous indeed.

We should not forget the very simple fact that, if a Government is to be left free to issue money against its own debt instead of against the nation's gold assets, there is almost no limit either to this debt or to the supply of money that can be issued against it. Germany, during and following World War I, presented the world with a shocking illustration of this great truth. Issuing money against the issuer's debt instead of against good liquid assets of the issuer is a dangerous device which modern nations have embraced to an unprecedented degree. And it is a device which the general public apparently understands very imperfectly. Both the device and the general lack of appreciation of its nature are exceedingly dangerous factors in a nation's well-being. The people of the United States are definitely involved in this danger.

Gold as a Check to Inflation

If, when a gold-coin standard is at the disposal of the people, banks should issue notes or create deposits of questionable value, the people would demand payment in gold, and, by this action, they would reveal their fear of the banks' notes or deposits. This would force the banks and perhaps the Government to correct the situation. Such demand for gold is a reflection of popular judgment regarding the state of the banks' money and credit; it is the red flag of warning to the banks and to the Government; and it is the people's automatic check on bad banking practices. When they are deprived of the right to demand gold, this automatic check is gone; all they can do is to accept what the banks give them. This is the position in which our people find themselves today.

If, when a gold-coln standard is at the disposal of the people, the Government should issue a currency of doubtful value, the people would demand gold rather than this currency and thus reveal the extent to which the Government's currency lacks the value of gold. This manifested preference for gold would compel the Government to correct the situation.

A gold-coin standard requires that the Government maintain all its currency on a parity with gold, through direct convertibility of the currency into gold at par, with the consequence that such a non-gold currency cannot suffer a discount. Thus the existence of a gold-coin standard tends to guarantee at all times the quality of all circulating Government currency. The fact that our people today cannot obtain gold coin domestically deprives them of the power to test the quality of our Government-issued paper and silver currency, as it would be tested in free world markets, and to force the Government to avoid an excessive or extreme issuance of such currency. This desirable and needed pressure cannot be exercised effectively today. Our Federal Administration has been and is running this country's monetary car without brakes.

Foreign Loans and Our Gold

A mounting danger today, which needs much more attention than it seems to be receiving, is the tendency of our Government, through loans to foreign countries, to create large foreign claims against our gold. If these should be converted into demands for gold in any great degree, a large proportion of our gold reserves could be swept out of this country, leaving little or nothing but inconvertible paper money and silver to support our huge volume of paper money and credit. Should tihs happen—and we seem to be moving recklessly in this direction—our monetary and fiscal affairs would be in a state of collapse and we would be in a position quite like that of various European and other countries who cannot support their currencies by adequate gold reserves.

If, under a gold-coin standard, the Government should attempt to issue securities at prices deemed too high, or if they bore a rate of interest deemed too low, by investors, many people would invest in gold rather than run the risks involved in investing in such securities—they would prefer the safety of gold and the loss of interest to the small interest return on securities with the risks of a sharp drop in price or the repayment at par in a currency having little purchasing power. Such preference for gold would compel the Government to pay a higher rate of interest and to sell its securities at lower prices in order to induce savers to invest their savings in Government securities. This would have the virtue of making Government borrowing more difficult which, in turn, would put a brake on Government spending. In this manner the people would have control over the public purse because of the existence of the gold-coin standard. This enforced higher interest rate would also have the additional virtues of providing investors with a better return and of enabling them to purchase securities at more reasonable prices, thus reducing the risk of a sharp drop in their prices.

Have No Control Over Public Purse

Today the people of this country have lost this control over the public purse, and those who purchase Government securities find themselves earning a small interest return and assuming great risks.

Since people cannot get gold, many of them invest in what is widely regarded as the next best thing—Government securities. But many private savers do not invest in these securities for the reason that they cannot afford to accept the low interest, considering the risks involved; they prefer to let their funds lie idle. A large proportion of these securities is taken by institutional investors which must earn such interest returns as they can; and since many of them are restricted by law or policy to such investments or cannot find other adequate and safe outlets for their funds, there is a great demand for these securities. But if we could compile the losses suffered by savers and these institutional investors, as a consequence of these monetary and low-interest-rate policies of the Federal Government, we would find that the social costs have been tremendous.

The gold standard, as the people's automatic brake on their banks and Government, places limits on the speed and recklessness with which the Government can spend the people's money. And that is as it should be.

It ought to be instructive to us in this country to read what a highly reputable European economist has to say about the gold standard as a brake — Wilhelm Ropke in his *Crises and Cycles* (William Hodge and Co., Ltd., London, 1936). He says (p. 175): "The automatic safety brake provided by the gold standard has to be considered as an indispensable part of our economic machinery if we want to be safe against real disaster. We do not even trust the locomotive engineer to forego automatic safety appliances in spite of the fact that there are no personal economic interests of his at stake, and that his own personal safety depends on his sense of responsibility How much less can we do without automatic safety appliances in the case of Governments whose affairs are conducted in an atmosphere not entirely free from personal economic interests, and whose leaders are responsibile only 'before God and History,' writing their memoirs if anything has gone wrong! It is desirable that all planners, all popular writers on the 'end of capitalism,' and all despisers of 'orthodox' economics should take this to heart, and as far as the policy of trade-cycle control shares some of the dan-

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gers of economic planning, here is a lesson also for the more enthusiastic advocates of monetary management."

But this automatic brake is off our Government. It was removed in 1933 and thus the Administration freed itself from its restraints. The controls were placed in the driver and the accelerator. And the people have been, and are being, taken for a wild ride.

A most important point to bear in mind here regarding the present currency situation of the United States is that even though our domestic currency may not depreciate, or be depreciated, further in terms of gold because of our system of *indirect* conversion of our domestic currency into gold, the disadvantages suffered by the people of this country, as a consequence of being deprived of a gold-coin standard, are to be found in other and vitally important directions, the chief of which have been mentioned. Therefore to point out, as some do, that, because our inconvertible paper and over-valued silver currency has not depreciated in terms of gold since Jan. 31, 1934, the present arrangement is quite satisfactory, is to miss some of the most important disadvantages and dangers in our situation. Much of the discussion of a gold-coin standard versus our present system or some similar system of "managed" inconvertible paper currency misses these essentials.

After all, "managed" currencies of the type now popularly advocated are but one feature of dictatorship and Socialism in which political valuations are substituted for the objective non-political valuations which are inherent in the gold standard, and for the true values reflected by the free operation of the forces of supply and demand in the market place. To have objective values, a nation must have an objective monetary standard, such as gold, which is free from the notions of politicians as to what its value ought to be. Just as we make the bushel an objective unit of measurement, so should the people have an equally objective monetary standard of value. We do not let the politician decrease the size of the bushel when the apple crop fails! When a non-gold "managed" currency is substituted for a gold-coin standard and the management appropriate to it, political values replace true economic, objective values, and when this is done the people suffer serious consequences.

The agitation for a "managed" inconvertible paper or commodity dollar currency is but one manifestation of a persistent, and in recent years a frenzied, quest for stability in our economic system, but it rests upon unsound grounds. There is apparent today something like a fanatical determination to try economic expedients which experience has demonstrated cannot work. Though the people who pursue these plans should know full well that there is after all such a thing as the impossible, they will not recognize that it applies to attempts to make a less valuable currency equal in value to a more valuable one. They will not admit that they cannot make something out of nothing; that a fixed objective unit like gold is as desirable as an unchanging bushel; that a stable price level, if it could be attained, does not necessarily mean economic stability; that no monetary mechanism alone can produce stability in the price level for long or in the economic system as a whole; that the gold-coin standard has not been the primary cause of the great fluctuations in prices and the wide swings in business activity and prosperity; and that the present world-wide suspension of specie payments is nothing more than a fairly-common, but always temporary, episode in the history of metallic currencies.

The agitators for a "managed" paper currency and the critics of a gold-coin standard are definitely wrong, and, in the light of history, it would seem to be merely a question of time until Congress will be brought to a realization of this fact. It is to be hoped that this realization will not have to wait until this lesson of history is again driven home by a catastrophe in our monetary and fiscal affairs.

The Investment Banker's Dilemma

(Continued from page 2702)

world war one? Are the prospects for investment obligation being met as well? Are the interest rates of today sufficient inducement for the risks involved? The average return on investment capital today is less than half that of the decade of the 20s. Do the socialization schemes of foreign countries warn the American investor to demand new and stronger guarantees? Will payments be any more safe if the lending is socialized and made by the Government with the involuntary tax payers' money?

Cheap Money, Low Interest Rates, and the Investment Banker's Responsibility

Low interest rates in the United States and all over the world are the product of inflation. While billions of savings have been destroyed in the past decade, cheap money has been multiplied by deficit financing and the unparalleled increase in the paper promises to pay. All of these credits are debts. Every government debt whether in currency or bonds is a socialized obligation of the workers and taxpayers. Is this era of cheap money new? It is not. Europe has had many experiences with cheap money. A period in the French history of cheap money only exceeded by the present was that of the John Law's schemes in 1870 which promised France wealth and prosperity through monetizing the national debt and which soon ushered into France a whole generation of poverty instead of prosperity.

England and other countries in Europe have had their experience with cheap money and its consequences. As described by Walter Bagehot almost 100 years ago, when the people are provided with excesses of cheap money "At intervals, from causes which are not to the present purpose, the money from these people—the blind capital, as we call it, of the country—is particularly large and craving; it seeks for some one to devour it, and there is 'plethora'; it finds some one, and there is 'speculation'; it is devoured, and there is 'panic'." The United States had its experience with cheap money and inflation after the Civil War. While it took two generations to overcome the consequences and restore financial stability we fortunately had the determination to pay our debts and return to sound money. Investors had some very thrilling experiences during this period and not all of them were fortunate by any means. What the consequences might have been if we had adopted a John Law's scheme of finance will never be known. But from the evidence in other countries from such schemes

(Continued on page 2748)

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The Investment Banker's Dilemma

(Continued from page 2747)

we were very fortunate in choosing the road of sound money.

A brief survey of the European inflations after World War I will disclose that in every country in which inflation and debasement of the currency was practiced the investors were cheated out of their purchasing power in about the same percentage. Whereas in the countries which returned to sound money and did not debase their currencies the investors, in time, regained their purchasing power.

In this era of low money rates, inconvertible currencies, socialized and nationalized credits the investment bankers have a responsibility far greater than mere salesmen. What are safe investments for your customers from the standpoint of being sure of getting their principal back? Will the United States and the rest of the world return to sound money? How high will interest rates rise when the inflated money and credit are paid off and sound money restored? Will cheap money be maintained by further inflation, causing further increases in prices and declining purchasing power of income and investment capital?

The investment banker has a responsibility to his customers in the investment and management of their savings. He can discharge this responsibility best by furnishing his customers all the facts and then helping the National Government return to sound money after performing the major operation of eliminating the inflated money and credit we have in our system. Of course it will take a long time to get over this operation and heal the sores. But the sooner we begin the quicker we will recover.

Some Obligations of the Investment Banker

In addition to correctly informing his customers and aiding the restoration of sound money and financing practices, the investment banker should understand and aid in restoring the free enterprise system because this system has produced the highest and most desirable standard of living known to the world.

Take the greatest possible care in selecting and distributing securities as described and understood to protect the investor according to the risks he is willing to take.

Encourage saving and investment and keep the door of opportunity and free markets open.

Encourage the largest and most efficient production, and educate the investor to the risks and opportunity of free enterprise.

Discourage inflation and encourage the increase in real wages through the increased purchasing power of money.

Help build a sound money and banking structure. Discourage the use of borrowed money for unproductive purposes or for unconservative risks.

Promote individual initiative, freedom of enterprise, and a careful understanding of risks and responsibility in using borrowed money or the taxpayers' money.

J. D. Harrison Elected to Richmond Reserve

James D. Harrison, President of the First National Bank of Baltimore, Md., has been elected a class A director of the Federal Reserve Bank of Richmond, Va., it was announced on Nov. 16 by Robert Lassiter, chairman of the Board of the Reserve Bank.

The Baltimore "Sun" in reporting this also said:

Mr. Harrison succeeds Charles E. Rieman, President of the Western National Bank of Baltimore, who had served as a director of the Federal Reserve Bank for 27 years, but declined to stand for election to an additional term.

Mr. Harrison first came to Baltimore in 1923 as Vice President of the Citizens National Bank. He was elected President of the First National Bank last January. His election as a director of the Federal Reserve Bank will become effective Jan. 1, 1946.

In Attendance at IBA Meeting

(Continued from page 2743)

Folger, John Clifford	Folger, Nolan, Incorporated	Washington
Fordon, Ralph	Watkins & Fordon	Detroit
Fowler, Sherman W.	Iowa-Des Moines Bank	Des Moines
Frederick, Paul O.	Commerce Union Bank	Nashville
Fredman, Herbert	Journal of Commerce	Chicago
French, Jo M.	Blyth & Co.	New York
Frick, Banjamin F., Jr.	Stix & Co.	St. Louis
Froman, Celeste	Investment Bankers Assn.	Chicago
Frost, C. L.	Investment Dealers Digest	Chicago
*Frost, J. P.	Frost, Read & Simons	Charleston
Frye, Charles D.	The Economist	Chicago
Frye, Newton P.	Central Republic Co.	Chicago
Fuller, William A.	William A. Fuller & Co.	Chicago
Fulton, Wallace H.	Nat'l. Assn. Sec. Dealers	Washington
Fulton, W. Yost	Maynard H. Murch & Co.	Cleveland
Funk, Creston H.	Creston Funk	San Antonio
Furlong, Thomas	Chicago Tribune	Chicago
Gable, Laurence J.	Taussig, Day & Co.	St. Louis
Gaerste, John L.	Cooley & Co.	Hartford
Gall, Ralf	Chicago Daily News	Chicago
Gallager, Herbert V. B.	Yarnall & Co.	Philadelphia
Gallagher, Frank	Kidder, Peabody & Co.	New York
Gardner, Fred	Reinholdt & Gardner	St. Louis
Garland, Charles S.	Alex. Brown & Sons	Baltimore
Garrett, P. B.	Texas Bank & Trust Co.	Dallas
Gates, Thomas S., Jr.	Drexel & Co.	Philadelphia
Geis, Leonard B.	Newburger & Hano	Philadelphia
George, Edward C.	Harriman Ripley & Co.	Chicago
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Gibson, W. C.	W. C. Gibson & Co.	Chicago
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(Continued on page 2753)

Canada's Prospective Trends

(Continued from page 2701)

fifth of the number of days on which the worker, and his employer, made contributions in the preceding five years. In other words, if he worked for five years uninterruptedly, he is entitled to a full year's benefit. Few are likely to be that favorably situated.

4. Benefits are made available only if the worker did not quit the job voluntarily, has not been dismissed for misconduct, and in case of strike has not voted for or participated in the dispute which causes the work stoppage.

5. **Most important,** the beneficiary can refuse twice a job offered to him by the governmental employment office. Refusal for a third time disqualifies him from the receipt of benefits. No rigid provisions exist as to the kind of employment he has to accept.

6. So far as known, no travel allowances are provided for workers to change the location of their employment. All of which goes to show that the Dominion is free from some of the political pressure that burdens this country's economic stability.

Indeed, Canadian political and economic thought is thoroughly imbued with the understanding that **the Dominion's existence is at stake in international trade.** Her prosperity is literally tied up with the volume of exports. "Three dollars' worth of exports add just about five dollars to the national income," as an outstanding Toronto economist (Dr. Jackson) puts it. The high prosperity of the war years, e. g., the doubling of the national income to some $7½ billions, was based on a rise of the total of exports and imports to roughly $5 billions. Extravagant labor demands are doomed almost at once in the cold light of this fact. By contrast, total war-time exports plus imports of this country, fantastic as they were, amounted to less than 10% of our national income. Even in England, the ratio of international trade to national income is only a little over 20%. The fact is so evident that no discerning person in Canada can escape its influence on his economic thinking.

Other factors contribute to dampening radicalism and maintaining wages below the level in the U. S. as well as in Britain. For one thing, the block of four million Frenchmen in the eastern provinces is strongly under the sway of the Church even in its trade-unionism. For another, industrial workers constitute only about 10% of the gainfully occupied, reducing their political weight accordingly. So does the fact that industry, and of course mining, are dispersed over wide rural areas, inhibiting the spread of centralized unionism. Also, labor is recruited to a large extent from farmer and middle class strata, with traditions colored by its origin. The fact that it is racially more homogeneous and better "disciplined" than American labor, may have some influence, too. At any rate, the political color in Canada that was highly socialistic two and three years ago, is rapidly shifting back to "normal."

Be that as it may, the only militant labor group of national importance is the CIO, with a comparatively weak foothold, and still weaker finances. It depends financially on the American CIO, which in turn is not likely to shoulder the burden generously if its own pocketbook will be under the strain of industrial strife at home. It may not be entirely correct to say that in terms of pressure groups, labor's position in Canada is similar now to what labor's position was in the U. S. after the last war. But it is certain that unionism has no such power-hold there as it possesses here.

Most important, monetary inflation has not reached the same proportions as in this country, the **national debt** having risen by $11 billions in six years, against some $200 billions here, while the population ratio is less than 1 to 12, and with a somewhat higher percentage of the debt in "permanent" hands than on this side of the border. Less inflationary

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Canada's Prospective Trends

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pressure means lesser urgency of wage and other demands.

Labor Efficiency

However, the drawback of the labor situation is: lower efficiency than in the U. S. (but not in comparison to Britain). The reason is partly "structural": the fact that mechanization has not reached as far as in this country and cannot reach that far, given the narrowness of the Canadian market. But that is only part of the story. What is more irritating is the spectacular decline of efficiency during the war, a consequence of recruiting inexperienced workers and of the human wear and tear in turn due to six years of work at long hours. Labor itself, or at least its intelligent leadership, is aware of this, as stated recently in an independent trade union paper: "Countless instances have come to our observation of crude inattention, sloppy workmanship, flippant attitudes and inexcusable insolence." This is a trade union editorial, mind you, addressed to the members, complaining about their "unwarranted incompetence." Just like in British coal mines, absenteeism in Canadian textile mills runs as high as 10 to 30%. Canadian industrialists agree that they have no quarrel with the wage level, provided they can restore labor efficiency at least to its pre-war standing. No doubt, after a period of rest and reshifting, a return to normal may be expected. But even then, nothing equal to the American "tempo" can be forthcoming — which is true for the top management as well as for virtually all ranks of employees. But by and large, the normal difference in manufacturing productivity between Canada and the U. S. is presumably more than compensated by the wage-differential: minimum rate 25¢ there, against the pending legislation to raise it to 65¢ here.

International Trade

If this discrepancy of wages is maintained, Canada will enjoy for years a favorable competitive position in international trade of manufactured products, other than heavy capital goods. Of course, the future course of internal price and cost inflation will determine the export outlook. So far, however, the wartime accumulation of per capita liquid savings amounts to less than one-half of the level reached in the U. S.; less than it is in Britain, too. All symptoms point to the considered judgment that although Canada is bound to follow American prices, she is likely to maintain a reasonable "lag," to be reflected in the Dominion's foreign trade situation.

That brings up the basic problem of the Dominion's post-war economy. In the fiscal year 1936-1937, which may be regarded as normal, roughly 46% of her commodity exports went to the Empire, 39% to the United Kingdom, and 40% to the U. S. (The Empire's pre-war share had been rising slowly.) Obviously, Canada lives not just on exports—on exports to those two areas. What is more, her trade with the neighbor is more than compensated by imports, with a $50 to $100 millions average pre-war import surplus, while the trade with Britain gave her a surplus of exports ranging up to $200 millions. Theoretically, i.e., in view of international price relationships, there is no reason why this favorable balance could not be maintained. Nor is it likely to be influenced by **exchange rate** manipulations: so far as can be foreseen, the Canadian dollar is bound to be kept at or close to the present rate against the U. S. dollar and the British pound, which are in turn practically pegged to one another.

But many other factors enter into the picture which may change it one way or another. Especially so, in view of the long-run shifts in the make-up of the Dominion's foreign trade, a process greatly accelerated by the war. Briefly, she has reached a high degree of economic maturity as indicated by the decline, in thirty years, of "raw materials" from 51 to 18% of total exports, and the simultaneous rise of "fully or chiefly" manufactured products from 33 to 66% or so. In other words, Canada is turning more and more to an exporter of manufactured goods rather than of raw materials, a change in her world market position with momentous consequences in the immediate post-war era.

Canada depends on exports not only for employment, but also for a surplus to service her growing external debt, and to attract more capital from abroad with which to build up the mining, industrial, and transportation system of the nation. What, then, is the outlook on retaining as much as one-half of the war-time expansion?

Farm Production

Prospects for farm products are far from encouraging. Given the wheat surplus in the U. S. (600,000 bushels even now) and elsewhere, the agrarian protectionism of the consumer countries, the relative decline of demand for cereals, and the world-wide intensification of their production—as exporters to the pre-war tune of $200-$300 millions, the western prairies may keep up their position, and may even improve it for the emergency year ahead. But in proportion to the new measure of foreign trade, their significance is bound to decline, unless they can offer new products. Shifting to cattle raising is out of the question, since the prairies are scarcely fit for grassland, and it would necessitate the elimination of a large number of farming families. It takes years to develop a substitute for wheat, such as soy-beans, suitable for the arid soil and the short season. Anyhow, shifting from one crop to another would mean merely to change from one unsalable surplus to another.

Lately, Canada is extending long-term credits of $25 millions to the Netherlands, $13 millions to Czechoslovakia, etc. The total is supposed to be stepped up to $500 millions, most of it presumably to finance farm exports. This means, in effect, that the subsidy to the farmers appears as credits to foreign countries. It is safe to predict that subsidies in one form or another will be the answer to the farm crisis for many years to come, just as in this country. At present price levels, the cost may be held to $200 millions annually, less than 5% of the national income, a burden that may be carried without inflationary consequences. But the implication is

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that agricultural products (mainly wheat and flour, to a minor extent also barley, cattle, raw leather and cheese), which constituted even in the late '30s as much as three-fifths of the export total (in dollars), will have to play a rapidly declining role.

Mining Prospects

The subsoil, disregarding gold (to be discussed below), is a more stable source of export values. Nickel, lead, platinum, asbestos and uranium, temporarily also tin and silver, may hold their own. In nickel, especially, the Dominion has a virtual monopoly as the cheapest producer. Even a decline by as much as 6c of the traditional price need not affect either the output or the profitability of International Nickel Co. But copper, which is the largest single item, zinc and other materials, including aluminum that has been expanded to a million ton annual capacity, face cheap foreign competition and over-supply. The opening of high-grade iron ore fields on Labrador and the low cost potential of oil and asphalt strip-mining in Alberta are very promising, but have not yet reached beyond the stage of minor growth and major hopes. In both cases, new transportation has to be developed, too.

All told, subsoil products may account in the first post-war years for scarcely 15% of Canadian exports, if the latter should maintain anything like a two billion dollar level, to say nothing of the recent three-and-a-half billion volume, as against less than one billion in the late '30s, and 2.4 billions in 1928 (at present gold prices).

The paper shortage in the United States, combined with totally depleted lumber reserves, provides Canada with extraordinary chances. Since Europe's shortage is much more acute, Scandinavian competition is not likely to play a major role on this side, perhaps for years, even after tonnage difficulties are overcome. As a matter of fact, consumption is rising on a world-wide scale. Of course, the ruthless exploitation of the Dominion's vast forest resources will reach its limit some day. The current expansion of paper and cardboard capacity in this country may bring the boom to a halt at a much earlier date. In the meantime, however, Canadian exports of wood and wood products, which figured some $160 millions in the 1937 trade balance, and $440 millions in 1944 (around 15% of the total), may rise substantially in volume and value, most of it in processed rather than in raw form. That brings up the question of industrial exports, the core of the country's foreign trade in merchandise.

Manufacturing Progress

Industrialization has been vastly accelerated during the war by the sinking of several billions into new plants and equipment (such as machine tools, chemicals and is not only the direct source of substantial exports, but also the foundation of low-cost manufacturing. In this respect, Canada will enjoy a comparative advantage over most other industrial countries, especially Britain.

2. The geographic proximity and easy access to the world's richest country, and to its "know-how," plus close interrelation with the Empire, provide an unusually favorable position.

3. Most important is the fact that compared to both the United Kingdom and the United States, Canada operates on much less inflated monetary grounds, and with a less socialistic labor policy. The consequent lag of Canadian prices and wages behind those of the competitors, in spite of a 10% devaluation of her currency, cannot fail to show its effects on the international markets especially for finished consumers' goods, in which the American technique of mass production can be duplicated.

4. Canada has become the largest cash buyer of American goods, taking almost $1.5 billions worth, more than 80% of her total imports. Obviously, this fact will greatly strengthen her bargaining position in tariff bargaining. Also, the trend in the United States is in the direction of relaxing on industrial (not on agrarian) protectionism.

5. The old and the new industrial capacity of the Dominion is being reconverted. Its output will be forthcoming at a time when everywhere an unparalleled accumulation of pent-up demand coincides with depleted inventories, resulting in inflated values for manufactured articles, particularly for capital goods. On the other hand, the major part of its imports, consisting of raw materials, will become available at falling (or lagging) prices.

6. So long as Canada retains the favorable balance of payments on current accounts, and remains a favorite outlet for U. S. investments, her ability for continued capitalistic expansion at home and abroad is another factor strengthening her export position.

7. The apparent size of Canada's foreign trade problem is unduly magnified by the rise of prices. In physical volume, it needs only a 60% rise to maintain a 100% increase in dollar volume over the level of the late '30s.

In the past, Britain's need for raw materials, especially foodstuffs, used to be the prime factor determining Canadian exports. In the visible future, U. S. demand for processed materials (mostly fabricated and semi-fabricated products of her farms, mines and forests) will have to take the leading role, and do so on a magnified scale. Indications are that for years to come, our market may absorb a billion dollar slice of the Canadian output, or more. This is not an overly optimistic prognosis in view of the labor pains, inventory and obsolescence troubles, reconversion delays, pent-up demands, international commitments, and excessive cash accumulations under the shadows of which our own industry operates—in the face of Canada's comparative cheapness and in view of the fact that her industry has been well-integrated into the American system of production and distribution.

Invisible exports add other feathers to Canada's economic cap. **Tourist traffic** brought in 1938 a round $180 millions **net** in foreign exchange, equal to that year's gold exports. It promises further growth, after the war-time lull, as a substitute for a 10-15% decline of commodity exports. **Shipping**, with the Dominion's tonnage multiplied, is likely to turn from a pre-war unfavorable item of about $20 millions (net) into a substantially larger favorable one. In insurance, banking and commercial services, its position is likely to be improved, too, and not merely at Britain's expense. But all such prospects are overshadowed by the spectacular development of gold mining.

Gold exports reached as high as $200-odd millions in 1941, and declined subsequently to almost half of that amount. Presently, labor shortages are more acute than during the war, but the interruption of production means, of course, lengthening the lifetime of the mines. What is more, new explorations on a vastly accelerated scale have opened up a wealth of gold reserves both in Ontario and in northwestern Quebec, which makes doubling of the pre-war output a virtual certainty as soon as labor and materials are available.

Short of prohibitive wage or tax policies, the Dominion is expected to produce by 1947 at least $400 millions worth of gold.

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But there is little danger of serious labor troubles in the remote mining districts with their highest paid working population (around $40 a week, against an average of scarcely over $30 in manufactures), and the Dominion is in the process of reducing taxes, including the elimination of a 10% war-time duty on imported machines. Lowering the gold price has become a political impossibility in view of the vested interests grown up around the 10% discount on the Canadian dollar, while a rise of it is a distinct international possibility in view of the current inflationary trends. Nor is Canada swept by anti-mining sentiment which has led South Africa at times to repressive action against absentee owners. Well over 600,000 persons are supposedly shareholders in the Dominion's gold production, most of them its citizens.

Indeed, the expansion of gold output is vital to Canada's prosperity and international balance. It may be assumed with practical certainty that a major rise of its cost of production would be met by governmental relief action. Merely raising the depletion allowance to the level which U. S. oil producers enjoy would compensate at present for a conceivable increase of costs.

Canada's balance of payments on "current" transactions—visible optical glass production), and the expansion of old. To keep a virtually duplicated industrial apparatus going, and to maintain and improve further the enhanced living standards, greatly enlarged imports are needed, which in turn call again for exports far beyond the pre-war level. Their bulk must originate from manufactures. As things stand, the Dominion's future hinges on her ability to find markets for a vastly expanded industrial capacity to substitute for its war-time outlets and to over-compensate the declining or limping demand for its raw materials.

Imperial Preferences

The problem fills the Canadians with anxiety, and naturally their eyes are focused on the Empire. Discriminatory Empire preferences, which originated in the Dominion, have become lately a sort of political idol.

The problem of Canada's industrial exports cannot be solved by imperial preferences, the importance of which is easily over-estimated. They may amount on the average to a 6 or 7% tariff reduction, an advantage that is relavant in individual cases, but is minor on the whole in view of "modern" trade impediments of the exchange restriction type. However, they have acquired an emotional status which has a great deal to do with nationalistic sentiment, in addition to protectionist motives, reinforced by the Canadian desire to cash in on the billions of "mutual aid" provided to Britain, and the fear that loss of the preferential rates may mean the loss of the U. S. subsidiary plants.

The Empire-advocates seem to overlook the narrowness of the British market under early post-war conditions. Even substantial American credits to England are not likely to overcome it more than partially; besides, they would naturally tend to canalize British purchases into the United States. Also, Britain will appear primarily as a buyer of raw materials, in which Canada is only one among many competitors who cannot be ignored.

Industrial Exports

Canada will have to re-orientate her foreign trade in non-British directions. An impoverished England cannot buy at a billion dollar rate, or anywhere near, unless Canada continues to make presents or swallows an equivalent quantum of English exports, both of which are out of the question. Markets in other parts of the Empire, especially India and South Africa, may expand. Western Europe and Latin America are likely to be much more significant. But the United States has become, and is bound to stay, the biggest (cash) buyer of Canadian goods, replacing the Empire all along the line.

Whether she likes it or not, Canada is in effect a non-registered member of the trading area called U. S., as a glance at the following figures (in billions) shows:

	1944	%	1943	%
Imports from:				
United States	$1.447	82.2	$1.424	82.0
United Kingdom	.111	6.3	.135	7.8
East Indies	.032	1.8	.023	1.3
Other Empire countries	.078	4.4	.081	4.6
All other countries	.092	5.3	.073	4.3
Total	$1.760		$1.736	
Exports to:				
United States	$1.301	37.8	$1.149	38.7
United Kingdom	1.235	35.9	1.033	34.8
East Indies	.181	5.3	.142	4.8
Other Empire countries	.204	8.9	.227	7.6
All other countries	.518	15.1	.421	14.1
Total	$3.439		$2.972	

Note that the Dominion received no lend-lease, while its export figures include the substantial "mutual aid" and similar items.

Of course, war-time needs, shipping shortages, and the absence of European competition should be discounted on the export side. But an approximation to the pre-war in the sense that virtually one-half of Canada's exports should be absorbed by the limited purchasing capacity of the Empire would be tantamount to cutting the total in a catastrophic fashion, with proportionate shrinkage in employment and national income. It would mean for the Dominion a depression of first magnitude. It would upset its international balance, too, because its greatly enlarged import volume could not contract without further depressive effects.

Imports have come to consist largely of three major groups: raw and processed farm and plantation products for the consumer (sugar, tobacco, fruits and vegetables, spirits, vegetable oils, tea and coffee); industrial raw materials (oil, coal, rubber, cotton, wool, iron and steel, etc.); capital goods such as machines and boilers, electrical and agricultural implements, motors and parts, etc. In other words, Canada's ability to export $3.00 worth of finished products is based now on her importing, say, $1.50 worth of means to do so. The larger the first, the more favorable its excess over the second. On the other hand, a decline of the first is not followed automatically by a proportionate compression of the second, because the latter serves for internal purposes as well.

All of which adds up to two conclusions: that the maintenance of an export volume approximating the war-time average is vital to Canada's prosperity; and that for these exports, and even more so for the concomitant imports, Canada has to rely on the United States. Uncertain as the outlook may be beyond the next few years, the scales are weighed definitely in her favor.

1. A wealth of natural resources on an extraordinary scale and invisible trade, including gold movements as well as interest and dividends to foreign creditors (over $200 millions annually)—is likely to show a favorable surplus, except in utter depressions. The surplus varied between some $190 millions in 1938 and an estimated $1,200 millions in 1944. Normally, it serves to reduce her debt or to acquire assets abroad.

Balance of Indebtedness

During the war, this balance was used largely to finance Britain, and partly to repatriate much British-owned and some American-owned Canadian securities, in addition to strengthening the monetary reserve held in U. S. dollars (probably $1,000 millions). Disregarding "mutual aid" and war credits, she is now year for year on the receiving end of the flow of credit funds. The net sale of securities to the U. S., not counting "direct investments," amounted to $113 millions in 1944, $181 millions in '43, and $109 millions in '42.

As a result, foreign investments in Canada have risen to the new high of an estimated $4.5 billions; they tend to rise further. This in-

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cludes the ownership of branch and assembly plants of some 300 major and many other American corporations, making Canadian industry a virtual subsidiary to ours—and a partner, so to speak, in our post-war boom.

But a weakness of the Canadian economy, from the point of view of investors, arises from this growing indebtedness. However, it should be weighed in the light of the circumstances. For one thing, past records suggest that Canadians will not miss opportunities to repatriate outstanding securities and to acquire foreign assets to offset a growing debt. Of course, exchange control covers all foreign claims, including the increasing American participation in Canadian mining and industrial stocks, and in direct ownership of enterprises. The control over the outflow of capital has been strictly enforced during the war. Since, a progressive relaxation is taking place. Dividend and interest payments were forthcoming without difficulty, but the repatriation of American capital invested previous to 1939 is still subject to special permission which is available now "within limits."

It may be safe to assume that Canadian exchange policy will closely follow the American, and that an independent devaluation, or a severe tightening of foreign exchange restrictions would be resorted to only in an extraordinary emergency, such as a crisis in exports, and cessation of capital influx from abroad, plus the flight of funds from the Dominion. Such a combination of adversities, or of many of them, could occur, but it does not appear to be "in the cards." Short of catastrophic occurrences, Canada should remain what she is at present: the leading, nay, the one outstanding, area serving as an outlet for American private and corporate capital seeking sound investment abroad.

Reorganization Bill Passes Senate

The Senate passed on Nov. 19 the bill granting extraordinary power to the President to reorganize the Federal government, the Associated Press reported from Washington, but the measure must go before a joint Senate-House conference committee in order that a piece of legislation may be drawn up from the Senate bill and a separate reorganization bill approved by the House on Oct. 4. Numerous differences exist between the two measures to be adjusted; in addition, just before final approval of the Senate bill, Senator Harry F. Byrd (D.-Va.), according to the Associated Press, discovered what he termed a "loophole" that might allow scores of departments, agencies and bureaus legally to oppose any reorganization, and the ambiguous wording will have to be changed in the legislation as finally drafted.

Senator Byrd's reference was to a clause that would prohibit the President from touching agencies with "quasi-judicial" powers, and, the Virginia Senator told the Senate, "This would permit a wholesale exemption, it appears to me." The Associated Press also said:

In addition to its language exempting "quasi-judicial" agencies, the Senate bill specifically removes fifteen agencies from the scope of the bill. They include the following Federal commissions: Interstate Commerce, Trade, Communications, Securities and Exchange, Power, Maritime and Tariff; three agencies dealing with railroad labor; the Federal Land Bank System; the Federal Deposit Insurance Corporation; District of Columbia municipal government, General Accounting Office, and the Army Engineers civil functions.

In Attendance at IBA Meeting

(Continued from page 2749)

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(Continued on page 2755)

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Commerical Bank Installment Credit Plans

(Continued from page 2704)

the number intending to purchase retail installment paper. Nearly 10 thousand banks expect to make ordinary personal loans on the installment repayment basis, and smaller numbers intend to make consumer installment loans direct to borrowers for the purchase of automobiles, household appliances, and other goods, and for repairs and modernization.

Some seven thousand banks expect to purchase retail installment paper from dealers. That more banks will engage in consumer installment lending than in financing through dealers is quite understandable; dealer financing is more complex and requires more specialized personnel, and small banks often find that commitments are too large for the bank to handle alone.

The committee on consumer credit of the American Bankers Association has been busy for some time helping member banks to establish new consumer credit departments, enlarge existing facilities, and improve operations. Recently it has published manuals on such subjects as: Personal Loans, Operating Cost Manual for Consumer Credit Departments of Banks, Rebate of Installment Loan Charges, Automobile Financing—Dealer Plan, Automobile Financing—Direct Loan Plan, Home Appliance Financing, Aircraft Financing, and Analysis of Soldiers' and Sailors' Civil Relief Act of 1940, as Amended.

The Association has also completed plans for a nationwide collection system for banks extending consumer installment credit. The plan provides for the printing and distribution of a directory listing the banks that will be equipped to handle the collection of installment payments. The collections will be handled on a reciprocal basis at established fees by the banks listed.

In addition, the Association has been developing co-operative working arrangements with various national trade associations for exchange of information and experience and for promotion of mutual interests. Similar co-operation among banking associations and trade associations is being achieved at state and local levels. An example is the co-operative plan developed by the Massachusetts Bankers' Association and the medical and dental societies of that state for the financing of professional services. In other states, co-operative arrangements are being developed between bankers' associations and auto dealers' associations, farm implement dealers' associations, appliance and furniture dealers' associations, associations of insurance agents, and other interested groups.

Plans for Handling Installment Sale Paper

With regard to the business of purchasing retail installment paper, some individual banks have been lining up dealers in their communities in advance of the reappearance of consumers' durable goods in quantity on the market. For example, a bank presents its plan for handling dealer installment paper to automobile and appliance dealers in its community and those meeting its credit and other requirements and who wish to become members of the plan are franchised. Such dealers are provided with all necessary forms, rate charts, application blanks, notes, and the like. They also receive appropriate emblems, for example, "Centrust Purchase Plan — Registered Dealer," to display in their places of business and thereby indicate their participation. The emblem is also featured in advertisements of the bank to the public.

The buyer of an automobile or an appliance finances it through the dealer, signing an installment note. The dealer, in turn, sells the note to the bank, which credits his account with the proceeds. The buyer of the article then makes his installment payments direct to the bank. The bank continues to make direct consumer installment loans to borrowers generally, the plan for handling dealer installment paper being intended to cover that area of the market which cannot be reached easily, or at all, by direct consumer installment lending.

The appeals used in the advertising are low-cost rates, convenience in making payments at any of the bank's offices in the community, the value to the consumer of establishing bank credit which builds his standing in the community and may prove of value at some time when he needs to borrow, and the dignified, business-like basis upon which purchases are made.

The desire to meet the need for financing floor plans of dealers and providing manufacturers and distributors with cash payments for shipments is leading to the formation of national or regional "bank syndicates." These syndicates are organized by large banks, in manufacturer and distributor cities, utilizing close relationships with their correspondent local banks in dealer towns.

National and regional sales finance companies, with their many branch offices, have been providing complete wholesale and retail installment sale financing, including insurance where needed, for the process of distribution from manufacturer or distributor through to the ultimate consumer. Banks have not been able to provide such a service in the past.

It would be impractical for a manufacturer whose products are distributed through thousands of retailers to endeavor to make contracts for floor plan and retail financing with thousands of local banks. These manufacturers wish assurance of payment on some uniform plan for their goods before shipment, and distributors dealing with a large number of retail outlets have a similar problem. A solution is being attempted through the development of correspondent bank relationships.

For example, a manufacturer distributing his product to several thousand retail dealers through several dozen wholesale branches might select a large bank in each of the trade areas handled by a branch and serving the same region. Contracts would be made for each of these banks to purchase the wholesale documents of the dealers in its area. The large banks acquiring floor plan credit in this way from manufacturers and distributors might offer their correspondent banks in the towns of the various retail dealers the opportunity of handling this credit if they so desire. Local banks acquiring this floor plan credit would be enabled to secure the retail installment paper created by the dealers' sales to consumers.

In case a local bank was unable or unwilling to purchase the retail paper, the credit could be handled by the large bank, thereby assuring the manufacturer of a regional or national financing service for his dealers. Where manufacturers work through distributors rather than through their own branches, the financing plan would operate similarly except that the distributor would select the large banks with which contracts would be made.

Under such arrangements, leading banks in large cities could direct profitable business to the small banks and thereby improve and strengthen their correspondent bank relationships. The large banks would assist their correspondents by furnishing information and advice upon the detailed procedures involved in handling the wholesale and retail installment sale financing business to be carried on. The first syndicate to be organized is headed by the Bank of America, San Francisco, and includes 60 state and national banks in 11 western and west coast states. Among the 60 participating institutions, 10 have more or less extensive branch systems, which considerably expand the territories they cover.

Participation in this "Bankredit Time Payment Plan" does not involve fees or "franchises," although as the plan has worked out so far the participants include only one bank in a given city. The banks are informally linked by a voluntary agreement for the exchange of services and experience to obtain the mutual advantage of being able to offer manufacturers, distributors, dealers, and consumers a uniform financing service over a wide trading area for all types of consumer goods and various types of commercial equipment and machinery on the installment repayment plan.

It is reported that several major manufacturers have arranged to have the facilities of the group made available to their distributors and dealers. The first step in the program was a series of "clinics," conducted by a group of Bank of America executives at important cities, to acquaint banks new to the business with the mechanics of intallment financing.

A second syndicate is the "National Sales Finance Plan" which will cover a large section of the country (around two-thirds or more of the territory not served by the first syndicate) containing perhaps 85% of the population.

Bank-Agent Plans for Expanding Consumer Installment Loans

Along with these plans for facilitating the purchase by banks of both wholesale and retail installment paper, programs are being promoted throughout the country for increasing bank consumer installment loan business. One of these programs is the

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bank-agent automobile finance plan. This is essentially a movement to get consumers to substitute the use of installment loan credit for installment sale credit, particularly in the distribution of automobiles at retail.

When consumers buy from dealers on installment sale credit, all financing institutions operating in the community compete in soliciting the dealer accounts, that is, in getting the dealers to sell them the retail installment paper. A bank, or other institution, depending on a few dealers for business may suddenly lose these sources to competitors. Under the installment sale credit method, the car buyer is the dealer's customer, not the bank's. If he buys his next car from a dealer who does not sell his paper to the bank, the business is lost to the bank.

Furthermore, the bank, as a rule, will be obliged to split its gross charge with its dealers, paying them a "reserve," "bonus," or "kickback" equal to that paid by the sales finance companies or other competing institutions. Also, it will be under pressure to take "run of mine" paper, the poor as well as the good, in serving the dealer, instead of accepting only selected, choice risks.

The most common practice of the automobile buyer has been to sign an installment sale contract with the dealer, who either holds it to maturity, collecting the payments himself, or sells it to a sales finance company, a bank, or other financing agency. The purpose of the bank-agent plan is to "re-educate" the buyer to borrow on a direct consumer installment loan from the bank and pay cash for his purchase. The insurance agent is to cooperate with the bank in inducing buyers to use installment loan credit instead of installment sale credit for financing their automobile purchases, and the agent is expected to do the work involved at no cost to the bank.

At the end of the peak year in 1941, there was a total of almost two billion dollars of retail installment paper outstanding covering the sale of automobiles. Of this, the commercial banks held only a little over 400 million dollars, but they had in addition slightly more than 300 million dollars of retail automobile direct loans, primarily made for the purchase of cars. The bank-agent plan's purpose is to increase this consumer installment loan business at the expense of the business of purchasing retail automobile paper, which has been largely in the hands of the sales finance companies.

In their purchasing of retail installment paper on automobiles, the sales finance companies have furnished not only the funds needed for financing the sale but also, through their insurance subsidiaries, the insurance required on the automobiles. Banks generally are not permitted to enjoy commissions on insurance premiums, which have been a very large source of income for the sales finance companies. The banks, without the benefit of commissions on insurance premiums, probably will not be in a position to give generous rebates or bonuses to automobile dealers out of the discount received when buying retail installment paper from them.

Under the bank-agent plan, however, the bank does not buy the paper from the automobile dealer. The bank makes a direct loan to the car buyer covering the unpaid balance and the insurance premium. Some local insurance agent writes the insurance coverage and gets the premium, and thus is induced to urge his clients to borrow from the bank and pay cash instead of buying from the automobile dealer on a regular installment sale contract. In this way, it is said, the bank gets its profit from the rent of money, the

(Continued on page 2756)

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(Continued from page 2753)

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Kraus, Harry G.	Ball, Burge & Kraus	Cleveland
Kreutzer, Knox	Merrill Lynch, Pierce, Fenner & Beane	Chicago
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Ladd, Edward H. 3rd	First Boston Corporation	New York
Laemmel, William G.	Chemical Bank	New York
Laing, C. W.	John Nuveen & Co.	Chicago
Lancaster, J. C.	Union Planters Bank	Memphis
Lang, Walter E.	Harriman Ripley & Co.	Chicago
Larson, Hugo H.	Chicago Herald-American	Chicago
Lanston, Aubrey G.	First Boston Corporation	New York
LaRocca, Harry B.	First Securities Company	Chicago
Lawshe, Emmett	Shields & Co.	New York
Leach, Edmund C.	Sterne, Agee & Leach	Montgomery
Leathers, Harry	New York Times	New York
Ledyard, Q. R.	J. C. Bradford & Co.	Nashville
Lee, James J.	Lee Higginson Corporation	New York
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*Lemon, James H.	Johnston, Lemon & Co.	Washington
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Leonard, John M.	Kuhn, Loeb & Co.	New York
*Lestrange, George E.	Moore, Leonard & Lynch	Pittsburgh
Levy, Herbert	Paine, Webber, Jackson & Curtis	Chicago
Lewis, David J.	Paine, Webber, Jackson & Curtis	New York
Lewis, McDaniel	McDaniel Lewis & Co.	Greensboro
Lewis, Mohan	Finance	Chicago
Lewis, Reuben A., Jr.	Finance	Chicago
Lewis, Robert J.	Estabrook & Co.	New York
Lewis, Salim L.	Bear, Stearns & Co.	New York
Liebenfrost, Conrad H.	Stern, Lauer & Co.	New York
Liginger, J. W. D.	Morris F. Fox & Co.	Milwaukee
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Limbert, Lee M.	Blyth & Co.	New York
Linch, Dale F.	Berwyn T. Moore & Co.	Louisville
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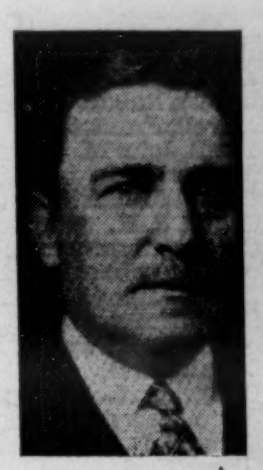

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(Continued from page 2755)

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(Continued on page 2757)

Commerical Bank Installment Credit Plans

(Continued from page 2755)

insurance agent gets his profit from the sale of the insurance, and the dealer has his profit from the sale of his merchandise.

The dealer's profit, however, may not be as large as it would be if he made the sale on an installment contract and either held the paper to maturity — assuming that he had or could borrow the necessary funds—or sold it to a financial institution which would grant him a commission or bonus for his services in preparing the papers and consummating the deal. On Sept. 30, 1941, at the pre-war peak of consumer installment credit, retailers and other sellers held 37% of all retail installment paper outstanding; the holdings of automobile dealers amounted to 277 million dollars. Apparently many sellers, who have plenty of funds of their own or who can secure them at low rates, prefer to hold their own installment paper, upon which the earnings may be around 12% or more per annum, to have customers make their periodic payments at the store where they may be shown additional merchandise, and to handle the collection follow-up themselves when this involves a reselling as well as a collecting job.

On the other hand, the argument is made that the widespread invasion of the consumer installment credit field by most of the commercial banks in the country, with the probable reduction in the cost of consumer credit, may be to the advantage of many merchants. It is asserted that if merchants are forced to leave the financing of installment purchases to financial specialists, the merchants will be enabled to concentrate all their managerial energies on the purchase, display, and selling of goods, which is the task they are most skilled in performing.

The bank-agent plan first got under way in Chicago, St. Louis, San Francisco, and other large cities and then began to receive state-wide and national promotion by some of the leading insurance companies and by state and national associations of bankers and insurance agents. In some communities, banks and agents have raised funds for joint advertising of the plan. It is held that most car buyers know little, if anything, about the terms or rates of their finance and insurance contracts, and that it is up to the banks and the agents to educate them and to persuade them to to adopt new habits of borrowing from the bank in place of buying on installment sales contracts where they acquire the car, the financing, and the insurance wrapped up in one convenient package.

The motivation is supplied by such appeals as lowest rates obtainable, establish bank credit for yourself, retain your insurance with your local agent who will better look after your interests as to coverage represented and fair and speedy settlement of claims, and "money spent at home benefits home town people." The logical extension of the argument that the plan will "keep a sizable amount of money circulating locally that might otherwise go out of town" would be to urge each city to establish its own home insurance companies, its own automobile and appliance factories, foundries, and other subsidiary industries, and to have its citizens buy only from these locally owned concerns.

Mechanics of the Bank-Agent Plan

In some cities the banks have decided upon uniform credit application blanks, uniform chattel mortgages and notes, and other forms which are furnished to the insurance agents. The insurance agent is called upon to do quite a bit of work before he gets his premium for the insurance involved. He interviews the prospective car buyer—who has already gone to the dealer, ascertained the price of the new car, its serial number, and the trade-in allowance before taking up the matter with the agent—fills out the credit application form, including the serial number and description of the new car, has the buyer sign the form in ink, and then telephones the facts contained in the application to the bank selected by him or the buyer.

If the bank, after credit investigation, calls back its approval of the deal, the agent has the buyer sign the note and chattel mortgage in duplicate, filling in the face amount and the name of the bank in ink, together with a description of the car on the chattel mortgage.

The agent may send his assured, with the executed papers, to the bank or he may take the papers to the bank himself, or handle the matter by special delivery mail. A variant is for the agent to secure the insurance application and then give the prospective car buyer an introduction card to take to the bank where the application for credit is taken and the requisite papers are completed after credit investigation and acceptance. The bank issues a check payable to the dealer for the unpaid balance and a check to the agent for the premium.

As previously stated, the plan does not anticipate the payment of commissions by the banks to insurance agents for their services in channeling loans to the banks. The agent has the incentive of getting insurance business which otherwise would be placed by the dealer (or by a bank or other financial institution having trust powers which include the selling of insurance). In addition, the agent may be able to sell the car buyer public liability, property damage, and medical payment insurance along with the required fire, theft, comprehensive, and collision insurance.

Moreover, it is reported that many banks reciprocate for the loans which are shunted in their direction by ordering insurance from the cooperating agents on "agent free" loans. That is to say, consumers influenced by a bank's advertising may go directly to the bank to borrow instead of first contacting some insurance agent. "Agent free" loans are those in which the borrower expresses no preference for any particular insurance company or agent. In cases where the borrower wishes to retain his insurance with a giv-

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en company or agent, the bank makes the renewal as desired.

Banks generally provide free folders, blotters, inserts, and other promotional material advertising the bank-agent plan for agents to distribute to their clients under the agent's own imprint. Banks cooperating with insurance agents stress in their advertising the fact that in borrowing from the banks for the purchase of a car or for some other operation involving insurance, the borrowers will not be required to change their insurance agents.

It is said that one of the bones of contention between agents and banks has been that banks in many places have "coerced" insurance by borrowers—on their homes, on their motor cars, and on other risks—to agents favored by the banks. "With the attitude of the A. B. A. and their anxiety for loan business, such banks can be won over at least to cease coercing insurance when making loans," the editor of an insurance periodical comments, "in view of the fact that agents generally can be excellent sources of application for small loans." He further suggests that bankers are not justified, when buying retail installment paper from a dealer, in giving kickbacks, rebates, bonuses, or commissions to the dealer when none are given to the agent for bringing into the bank the same type and amount of financing business, but he thinks that the alert banker can keep most insurance agents happy on "agent free" loans.

Insurance agents seem to be interested in applying the bank-agent plan not only to automobile loans but to many other types, including mortgages, FHA advances, loans on furniture, several types of business loans, and personal loans. For example, insurance agents frequently find that one obstacle to selling casualty policies is the fact that the prospect is already in debt and has no source of cash to pay the necessary premiums on insurance. By introducing such a prospect to the bank, it is argued, the insurance agent can finance a policy and, in addition, show the client a source of credit by which he can budget the payment of his other debts.

In some cases, banks furnish their regular small loan application blanks to the insurance agents who let it be known that they are the ones to see when a person needs to borrow money. The activities of insurance agents in placing loans and securing business for banks has raised the question as to whether agents may be required to take out small loan broker's licenses or be subjected to other licensing provisions.

The bank-agent plan at the present stage of its development is simply an attempt to meet the competition of the automobile dealer who offers the financing and insurance protection with the sale of the car. The task of the banks and the insurance agents is to convince prospects that they can save money by dealing with a local bank and get better insurance protection and service by dealing directly with local insurance agencies.

The Springfield Group of Fire Insurance Companies has been circularizing its agents urging them to call immediately upon their local bank or banks and arrange for a cooperative program, to start their educational and advertising programs using letters and a series of advertising leaflets prepared by the companies, to secure credit approval from the banks for the customers and prospects on their mailing lists, and to impress upon their clients the necessity of carrying bodily injury, property damage, and medical payments insurance in addition to the required coverage of fire, theft, comprehensive, and collision insurance.

The State Farm Mutual Automobile Insurance Company, said to be the world's largest automobile insurance company, with over a million cars insured, launched a bank-agent program in 1939. In 1941, its agents, cooperating with 2,500 banks, brought more than 91,000 policy holders to their local banks for car financing. The company's national advertising, and the advertising material sent out by its agents, claims that its Bank Plan saves money in three ways: on the purchase price of the automobile, by paying cash; on the financing, by low bank rates; on insurance, by rates which are usually lower than the generally accepted Board rates.

The company has been sending copies of a 28-page illustrated booklet of large format entitled "New Profit Opportunities for Banks" to bankers in the 40 states in which it operates, urging the bankers to promote the bank-agent plan. The slogan, "see your local banker before you finance

(Continued on page 2758)

In Attendance at IBA Meeting

(Continued from page 2756)

McHenry, Herbert T.	Salomon Bros. & Hutzler	Chicago
McKie, Stanley G.	Weil, Roth & Irving	Cincinnati
McLaren, Harris B.	McDonald & Co.	Cleveland
McLaughlin, Edw. M.	Paine, Webber, Jackson & Curtis	New York
McNair, Frank	Harris Trust & Savings Bank	Chicago
McNair, Howard S.	Courts & Co.	Atlanta
McNulty, James M.	Ames, Emerich & Co.	Chicago
*Mead, Robert G.	Stone & Webster and Blodget	Chicago
*Mead, W. Carroll	Mead, Irvine & Co.	Baltimore
Means, J. W.	Trust Company of Georgia	Atlanta
Mee, William R.	Cruttenden & Co.	Chicago
Meeks, G. Gordon	Gordon Meeks & Co.	Memphis
Mericka, William J.	Wm. J. Mericka & Co.	Cleveland
*Merrill, Charles B.	Merrill, Turben & Co.	Cleveland
Metzner, Russell H.	Central National Bank	Cleveland
Meyers, Henry P.	Goldman, Sachs & Co.	Chicago
Meyer, Julian L.	Salomon Bros. & Hutzler	Chicago
*Meyer, Maurice, Jr.	Hirsch & Co.	New York
Miehls, Don G.	William Blair & Co.	Chicago
Mikesell, Robert S.	Stranahan, Harris & Co.	Toledo
Miller, Galen	Hayden, Miller & Co.	Cleveland
Miller, Lewis	First National Bank	Chicago
Miller, Sanford C.	A. C. Allyn & Co.	Chicago
Mills, Andrew S.	Newhard, Cook & Co.	St. Louis
Minot, James J.	Paine, Webber, Jackson & Curtis	Boston
Molander, Winston L.	Northwestern National Bank	Minneapolis
Moore, Berwyn T.	Berwyn T. Moore & Co.	Louisville
Moore, William	McDonald-Moore & Co.	Detroit
*Moreland, J. Marvin	Mosle & Moreland	Galveston
Moroney, Robert E.	Moroney, Beissner & Co.	Houston
Morris, George L.	Hornblower & Weeks	Philadelphia
Morris, Pat G.	Northern Trust Co.	Chicago
Morrison, James C.	First Boston Corporation	New York
Morse, Charles L., Jr.	Hemphill, Noyes & Co.	New York
Morton, Fred G.	Milwaukee Company	Milwaukee
Morton, Howard C.	McMaster Hutchinson & Co.	Chicago
Morton, William H.	Chase National Bank	New York

*Denotes Mr. and Mrs.

(Continued on page 2758)

INVESTMENT SECURITIES

•

McDONALD & COMPANY

Member Cleveland Stock Exchange

UNION COMMERCE BUILDING

CLEVELAND 14, OHIO

HAYDEN, MILLER & CO.

Established 1903

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Union Commerce Building

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(Incorporated)

ESTABLISHED 1899

CLEVELAND

NEW YORK CHICAGO DENVER

CINCINNATI TOLEDO

In Attendance at IBA Meeting

(Continued from page 2757)

Mosle, J. Ludwig	Mosle & Moreland	Galveston
Mudge, Louis G.	First Boston Corporation	Chicago
Mullaney, Paul L.	Mullaney, Ross & Co.	Chicago
Mullen, John J.	Garrett-Bromfield & Co.	Denver
Mullins, Frederick P.	A. E. Masten & Co.	Pittsburgh
Murch, Maynard H.	Maynard H. Murch & Co.	Cleveland
Murphy, Dennis E.	Ohio Company	Columbus
Murphy, John A.	Reynolds & Co.	Philadelphia
Murray, Ray H.	National Bank	Detroit
Naumburg, Carl T.	Stern, Lauer & Co.	New York
Nay, Leston B.	First Securities Co.	Chicago
Nelson, Arthur E.	Arthur E. Nelson & Co.	Spokane
Nelson, Edward	Kidder, Peabody & Co.	New York
Nelson, Gus	Pitman & Co.	San Antonio
Nelson, Harry J.	First Securities Co.	Chicago
Nelson, William A.	Bear, Stearns & Co.	Chicago
Newborg, Leonard D.	Hallgarten & Co.	New York
Newhard, Chapin S.	Newhard, Cook & Co.	St. Louis
Newlin, E. Mortimer	H. M. Byllesby & Co.	Philadelphia
Newton, Arthur M.	Hayden, Miller & Co.	Cleveland
Nichols, Donald E.	Ames, Emerich & Co.	Chicago
Nicolaus, Louis J.	Stifel, Nicolaus & Co.	St. Louis
*Noel, Richard C.	Van Alstyne, Noel & Co.	New York
Noll, Gerhard B.	Graham, Parsons & Co.	Chicago
Nongard, Richard C.	Stifel, Nicolaus & Co.	Chicago
Nordberg, H. Gerald	E. H. Rollins & Sons	Chicago
North, Ludlow F.	Wisconsin Company	Milwaukee
Norton, John F.	Fahey, Clark & Co.	Cleveland
*Noyes, George F.	Illinois Company	Chicago
Nugent, Joseph C.	Mabon & Co.	New York
Nusloch, George H.	Nusloch, Baudean & Smith	New Orleans
*Nuveen, John, Jr.	John Nuveen & Co.	Chicago
Oates, Jeannette	United Press	Chicago
O'Brien, John J., 3rd	John J. O'Brien & Co.	Chicago
O'Brien, Michael J.	Paine, Webber, Jackson & Curtis	Chicago
Ochs, Louis W.	Dempsey-Tegeler & Co.	St. Louis
Olderman, Russell J.	Field, Richards & Co.	Cleveland
Olson, Ray	Stranahan, Harris & Co.	Chicago
Osgood, Roy C.	First National Bank	Chicago
Ostrander, Lee H.	William Blair & Co.	Chicago
Otis, C. Barron	American Banker	New York
Otis, J. Sanford	Central Republic Co.	Chicago
Ottens, Jonas H.	Salomon Bros. & Hutzler	New York
Owen, I. D.	Allison-Williams Co.	Minneapolis
Owen, Ralph	Equitable Securities Corp.	Nashville
Oxley, A. E. C.	Dominion Securities Corp.	New York
Park, Charles R.	Park-Shaughnessey & Co.	St. Paul
Parker, Charles S., Jr.	Continental Bank & Trust Co.	New York
Parker, E. Cummings	Glore, Forgan & Co.	Chicago
*Parker, Nathan K.	Kay, Richards & Co.	Pittsburgh
Parker, William A.	Parker Corporation	Boston
Parsons, James	Herald-Tribune	New York
Parsons, Robert H.	Pacific Company	Los Angeles
Parsly, E. G.	J. G. White & Co.	New York
Partridge, John F.	Welsh-Davis & Co.	Chicago
Parvin, William F.	Roe & Co.	San Antonio
Patton, Francis F.	A. G. Becker & Co.	Chicago
Payne, Albert J.	John J. O'Brien & Co.	New York
*Payne, Carr	Cumberland Securities Corp.	Nashville
Pearsall, Gilbert B.	Van Alstyne, Noel & Co.	New York
Peck, E. A.	W. C. Gibson & Co.	Chicago
Pelikan, Miles	John Nuveen & Co.	Chicago
Perrigo, Charles R.	Hornblower & Weeks	Chicago

*Denotes Mr. and Mrs.

(Continued on page 2759

Commercial Bank Credit Plans

(Continued from page 2757)

your next car," is emphasized in the company's advertising in national magazines, the mailing of enclosures to policy-holders by the company and its agents, the publicity releases by the local agents, and the free mat service and advertising material furnished to banks.

In July 1945, the National Association of Insurance Agents started mailing to property and casualty insurance agencies throughout the country a new Bank and Agent Auto Plan manual to aid the agents in fostering insurance business volume in cooperation with banks. The manual ties in closely with the A. B. A. manual on the direct loan plan of automobile financing, which was reviewed by a committee of the insurance agents' association.

The Association has adopted an official trade-mark insigne to use on circulars, blotters, letterheads, calling cards, newspaper advertising, window and counter displays, and other forms of printed promotion. By this means, local insurance agents and banks can tie their advertising together for the promotion of the plan.

It is reported that many automobile owners whose cars have been paid for are now carrying their insurance with local agents, instead of renewing the insurance placed on the car at the time of sale, and the agents not only hope to retain this business but to add to it as buyers of motor cars again become numerous. The Insurance Advertising Conference has established a clearing house for all insurance companies' promotional material, and company officials are instructing their field personnel to work with local agent groups in the organization of local programs.

Other Plans for Expanding Consumer Installment Loans

In addition to the bank-agent plan, commercial banks are developing other programs to increase the volume of their consumer installment loan business. Some have combined the "five cent checking account," a special type of checking account under which no minimum balance is required and a uniform charge of five cents is made for each check drawn, with a limited personal loan feature for those who feel that they may require occasional, small "emergency credit."

Some banks have organized savings or purchase clubs, based upon the well-known Chrismas Club idea, to help consumers to save up the amounts needed for down payments on new automobiles, household appliances, and other durables as they come into the market. Club members who have saved up the necessary down payments are expected to finance the unpaid balances by securing. direct consumer installment loans from the banks. Club depositors are furnished coupon books, the numbered sheets of which are used in place of deposit tickets, thereby eliminating the making of entries in bank books and the preparation of duplicate deposit tickets, and consequently simplifying and speeding up the handling of club deposits.

In connection with these plans, the bank often sets up in its lobby either a pictorial or an actual display of household appliances, innovations in household structure and equipment, and other durables. Some banks have conducted house-to-house or mail surveys in their communities to ascertain what kind of consumers' durables expenditures or capital improvements the respondents are intending to make, and at the same time they have solicited savings or purchase club accounts, offering to consider

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CLEVELAND — DAYTON

GILLIS, RUSSELL & CO.

Trading Markets

Teletype CV 565

Long Distance 500

CLEVELAND 14, OHIO

lending what the customer needs over and above the amount he will have saved by the time he desires to buy.

Direct mail advertising is being increasingly used to stimulate desire for consumers' durables and home improvements by the enclosure of illustrated pamphlets promoting the purchase club idea, and to present various aspects of the consumer installment loan services offered. In some cities, banks have run cooperative advertising campaigns in the newspapers on the theme, "For a personal loan, go to a bank first."

A relatively new field for the expansion of consumer installment loans is being opened by the Blue Triangle plan. For many years lenders have made consumer installment loans for the purpose of paying past-due bills for medical and dental services, but the new plan arranges for cash payment to the doctor or dentist at the time the service is performed. The Blue Triangle plan orginated in Massachusetts in 1944 as a project based upon three years of study by the consumer credit commission of the Massachusetts Bankers' Association assisted by the Massachusetts Medical Society and the Massachusetts Dental Society. The plan is fully endorsed by the societies, which have taken an active interest in promoting it.

It is said that a majority of the people of Massachusetts have not yet taken advantage of the Blue Cross plan, a pre-payment plan for hospitalization, and the Blue Shield plan, a pre-payment system for medical care. The Blue Triangle plan proposes to meet the needs of the people who are not insured, and the expenses not covered, under these insurance plans, and thereby seeks to eliminate the tendency on the part of many people to delay or postpone measures for the preservation of health.

A patient can make application for a Blue Triangle loan through any participating doctor or dentist who has been provided with the various needed forms. A credit application blank is filled out and the facts telephoned to the bank. The required health service is completed, and if the application after investigation is approved by the bank, the patient signs the note form, which the doctor or dentist endorses with full recourse and presents to the bank for discount. Payments are made by the patient directly to the sponsoring bank over a period of from six to 12 months. The doctor or dentist receives his money directly from the bank.

To protect the bank against loss, a reserve, which is usually about 10%, is set up out of each account on the books of the bank in the doctor's or dentist's name. The reserve is paid customarily when full payment of the amount of the loan has been completed. As a result of the reserve feature, the advance by the bank is lessened so that the yield is higher than the rate charged to the borrower and averages close to that charged on regular personal loans. No co-maker or collateral is required, and the patient does not have to make an extra trip to the bank to arrange for the financing. The suggested rates to the patient are somewhat less than those charged regularly by the banks on usual consumer instalment loans. The procurement costs on the flow of loans is low after acceptance of the plan by doctors and dentists, and every borrowing patient is a potential customer for other bank services.

Posters and a series of newspaper display advertisements are supplied by the Massachusetts Bankers Association to the banks for promotion of the plan. In 1945, the Missouri Bankers Association has been taking action toward sponsoring the Blue Triangle plan, and active [illegible] studies are

(Continued on page 2760)

In Attendance at IBA Meeting

(Continued from page 2758)

Perrin, Myles D.	Salomon Bros. & Hutzler	New York
Peters, Gerald P.	Peters, Writer & Christensen	Denver
*Petersen, Joseph G.	Eckhardt-Petersen & Co.	St. Louis
Petersen, Reno H.	Illinois Company	Chicago
Peterson, E. Norman	Equitable Securities Corp.	New York
*Phelps, Augustus W.	Phelps, Fenn & Co.	New York
Phillips, Guybert M.	Caldwell-Phillips Co.	St. Paul
Pierce, Charles C.	Rauscher, Pierce & Co.	Dallas
Pickard, A. G.	C. F. Childs & Co.	Chicago
Pleasants, Aaron W.	International Trust Co.	Denver
Podesta, Robert A.	Julien Collins & Co.	Chicago
Pohlhaus, Walter C.	Mackubin, Legg & Co.	Baltimore
Pontius, Miller H.	F. Eberstadt & Co.	New York
Pope, Allan M.	First Boston Corporation	New York
Popper, Elvin K.	I. M. Simon & Co.	St. Louis
Porter, Irvin L.	First National Bank	Chicago
Postlethwaite, J. R.	Brush, Slocum & Co.	San Francisco
Potter, Edward, Jr.	Commerce Union Bank	Nashville
Power, John F.	Eastman, Dillon & Co.	New York
Powers, Lester	Dominick & Dominick	New York
*Pratt, H. P.	H. P. Pratt & Co.	Seattle
Prenosil, Stanley W.	War Finance Division, Treasury Department	Washington
Prescott, John A.	Prescott, Wright, Snider Co.	Kansas City
Pressprich, R. W., Jr.	R. W. Pressprich & Co.	New York
Price, William J. 3rd	Alex. Brown & Sons	Baltimore
Priester, H. C.	Priester & Co.	Davenport
Pritchard, Harry N.	Kebbon, McCormick & Co.	Chicago
Prosser, Malcolm S.	Seattle-First National Bank	Seattle
Purdham, Plummer P.	Burns, Potter & Co.	Omaha
Quail, John J.	Quail & Co.	St. Paul
Quigg, James F.	Paine, Webber, Jackson & Curtis	Chicago
Quist, Leo L.	Harold E. Wood & Co.	Davenport
Ralph, Henry A. J.	Bank of America	New York
Randall, Ralph G.	Mason, Moran & Co.	Chicago
Rauscher, John H.	Rauscher, Pierce & Co.	Dallas
Redman, W. Guy	A. G. Edwards & Sons	St. Louis
Redwood, John, Jr.	Baker, Watts & Co.	Baltimore

*Denotes Mr. and Mrs.

IBA PAST PRESIDENTS

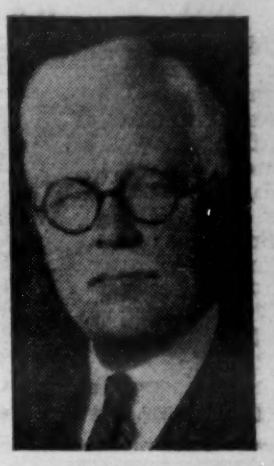
1939-40-41

E. F. Connely

1938-39

Jean C. Witter

1937-38



F. E. Frothingham

Reed, Stuart R.	Paine, Webber, Jackson & Curtis	New York
Reid, Frank B.	Maynard H. Murch & Co.	Cleveland
*Reily, John M.	Weeden & Co.	New York
Reinholdt, Julius W., Jr.	Reinholdt & Gardner	St. Louis
Repp, Herbert N.	Discount Corporation	New York
*Reuter, F. Brian	Union Trust Co.	Pittsburgh
*Rex, William M.	Clark, Dodge & Co.	New York
Reynolds, Albert	Com'l & Financial Chronicle	Chicago
Rhoads, Philip J.	First Nat'l Bank & Trust Co.	Oklahoma City
*Rice, Irving J.	Irving J. Rice & Co.	St. Paul
Richards, Arch E.	L. F. Rothschild & Co.	Chicago
Richardson, D. T.	Lovett Abercrombie & Co.	Houston
Riepe, J. Creighton	Alex. Brown & Sons	Baltimore
Riley, J. H.	A. C. Allyn & Co.	Chicago
Ritter, Daniel J.	William Blair & Co.	Chicago
Robb, Walter E., Jr.	Graham, Parsons & Co.	Boston
*Roberts, Malcolm F.	Sidlo, Simons, Roberts & Co.	Denver
Robinson, Arthur R.	Fidelity Union Trust Co.	Newark
Robinson, Edward H.	Schwabacher & Co.	New York

*Denotes Mr. and Mrs.

(Continued on page 2760)

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Chicago Board of Trade Cleveland Stock Exchange

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Long Distance: LD 71
Bell Teletype : TO 190

30 Pine Street
New York 5, N. Y.
Telephone: Bowling Green 9-2432
Bell Teletype : NY 1-2978

Private Wire to: CHICAGO—DETROIT—NEW YORK—CLEVELAND

In Attendance at IBA Meeting

(Continued from page 2759)

Roddy, James E.	Scharff & Jones	New Orleans
Roe, E. Jedd	Roe & Co.	San Antonio
Rogers, John C.	Hickey & Co.	Chicago
Rogers, Sampson, Jr.	McMaster Hutchinson & Co.	Chicago
Roloff, Frederick W.	Georgeson & Co.	Chicago
*Roney, William C.	Wm. C. Roney & Co.	Detroit
Roob, Edward A.	Salomon Bros. & Hutzler	Chicago
Ross, Cornelius A.	Mullaney, Ross & Co.	Chicago
Rotan, Edward	George V. Rotan Co.	Houston
Rovensky, William R.	Hornblower & Weeks	New York
*Rowe, Robert G.	Stroud & Co.	Philadelphia
Rowles, Duncan M.	Harris, Hall & Co.	Chicago
Rowles, Russell R.	Dittmar & Co.	Houston
Ruhl, J. H.	Quail & Co.	Davenport
Rushton, Joseph A.	Goodbody & Co.	Chicago
Russell, P. S., Jr.	Glore, Forgan & Co.	New York
Rutherford, George P.	Dominion Securities Corp.	New York
Rutter, John T.	Journal of Commerce	Chicago
Ryan, Frank L.	Ryan, Sutherland & Co.	Toledo
Saltonstall, Leverett	U. S. Senate	Washington
*Sanders, David T.	Vance, Sanders & Co.	Chicago
Sanders, Jesse A.	Sanders & Newsom	Dallas
*Sattley, Hale V.	H. V. Sattley & Co.	Detroit
Saunders, M. Ames	M. A. Saunders & Co.	Memphis
*Scanlan, Earl M.	Earl M. Scanlan & Co.	Denver
Scarborough, E. W.	Central Republic Co.	New York
Schanck, Francis R., Jr.	First Boston Corporation	Chicago
*Schmelzle, A. M.	Fusz-Schmelzle & Co.	St. Louis
Schmick, Franklin B.	Straus & Blosser	Chicago
Schmidt, Walter A.	Schmidt, Poole & Co.	Philadelphia
Schoeneberger, C. A.	Shields & Co.	Chicago
Scott, Walter	Lord, Abbett & Co.	New York
Schulte, Theo. E., Jr.	Farwell, Chapman & Co.	Chicago
Scribner, Joseph M.	Singer, Deane & Scribner	Pittsburgh
Scudder, Dana B.	National City Bank	New York
Seeley, Herman G.	Chicago Daily News	Chicago
*Seifert, Russell E.	Stern Brothers & Co.	Kansas City
Sener, Joseph W.	Mackubin, Legg & Co.	Baltimore
Seving, Frederick T.	Butcher & Sherrerd	Philadelphia
Seybold, Joseph L.	Kalman & Co.	Minneapolis
Shanks, Sanders, Jr.	Bond Buyer	New York
Shannon, Jones B.	Miller, Kenower & Co.	Detroit
Sharp, Nathan S.	R. S. Dickson & Co.	Chicago
Sharpe, William P.	Mercantile-Commerce Bank	St. Louis
Shaughnessy, L. E.	Park- Shaughnessy & Co.	St. Paul
Sheldon, M. W.	Bingham, Sheldon & Co.	Milwaukee
Shepard, Robert O.	Hawley, Shepard & Co.	Cleveland
Sherwood, E. A.	Harris Trust & Savings Bank	Chicago
Shillinglaw, David L.	Shillinglaw, Bolger & Co.	Chicago
Shreve, Wickliffe	Lehman Brothers	New York
Sikes, Travis	Dewar, Robertson & Pancoast	San Antonio
Simmons, Carleton H.	E. M. Newton & Co.	Boston
Simmons, Richard W.	Lee Higginson Corporation	Chicago
Simonds, Godfrey B.	G. H. Walker & Co.	Providence

*Denotes Mr. and Mrs.

(Continued on page 2769)

Commercial Bank Credit Plans

(Continued from page 2759)

being made in New York, Kansas, and other states.

Conclusion

In the postwar period we shall find about 36,000 lending institutions and more than 120,000 installment sellers actively promoting consumer installment credit services. Institutions now in the field are planning to expand and others are preparing to enter it. The vast oversupply of funds represented by the sharply increased bank deposits of the country will be available to banks and to other lending agencies. In addition, many manufacturers with greatly increased cash funds may wish to do their consumer installment financing directly and many investors with money in the banks will probably enter the consumer loan field. It is expected that the competition will not be ordinary or just keen; it will be unprecedented. One probable result of benefit to society may appear in the form of a greater variety of convenient services or plans and lower costs for different types of consumer credit.

There is another side to the picture of the possibilities of social gains and private profits—although actual profit realization may fall far below present optimistic expectations—from postwar expansion in the field of consumer installment credit. It appears that consumers are to find themselves literally swimming in a sea of credit in the postwar period. The unprecedented competition foreseen may well prove to be a major threat to sound postwar credit.

The possibilities and prospects of danger in the postwar consumer credit competition are viewed by many students as fantastic. State legislation in the field in which the competitive struggle is envisioned is widely regarded as chaotic and unsatisfactory and, even within states, as lacking in the uniformity and effectiveness required to assure fair competition among consumer installment agencies and to protect consumers. The probabilities, some people feel, are that credit may tend to flow into the personal loan and consumer installment sales field after this war in a fashion reminiscent of the way it flooded the stock market investment field in the late 1920's, and that consumer credit may tend to be looser and more abundant in the late 1940's and early 1950's than even in the lush late 1920's. It would seem that the best interests of all would be served most effectively by installment sellers and lenders, and their trade associations, cooperating in programs to educate the public to use consumer credit wisely, rather than placing exclusive emphasis on the promotion of volume regardless of its effect on the consumer.

Approval of Study for Strengthening Pan. Canal

A bill which authorizes the government to investigate whether the Panama Canal must be rebuilt to reduce its vulnerability to atomic bomb attack was unanimously passed by the House and sent to the Senate on Nov. 26, according to United Press Washington advices. Under the legislation the investigation would be made by the Governor of the Canal under the supervision of the Secretary of War, and a report would be submitted to Congress before Dec. 31, 1947.

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Industrial Securities Committee Concerned Over Control of Aviation Issues

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to July 31, 1945, offerings of corporate securities in the capital markets of the United States amounted to about 10 billion 200 million dollars.

Of this amount nearly 25% represented offerings made in the first seven months of 1945.

In the nineteen months ended July 31, 1945, offerings of corporate securities totaled about 5 billian 390 million dollars, or nearly 53% of the aggregate for the period from Jan. 1, 1941, to July 31, 1945.

The increase in the annual volume rate of offerings since Jan. 1, 1943, has approximated the geometrical, the figures being for 1943, $1,154 millions; for 1944, $2,960 millions; and, for 1945, the indicated annual rate, obtained by doubling the figure for the first half year, is $4,860 millions.

In large measure the activity represented by these figures has consisted of refundings and is the product of (i) the expansion of bank credit engendered to finance the War, (ii) the inflationary increase in the amount of currency in the hands of the public, and (iii) the progressive lowering of the interest rate which has been brought about by the "easy money" policies of the Federal Government.

Financing to provide "new money" for corporate purposes represented only about 20% of the total amount of corporate financing undertaken in the public markets in the nineteen months ended July 31, 1945. For the period from Jan. 1, 1941, to July 31, 1945, the figure was not much larger, amounting only to about 26% of the aggregate.

On the other hand, the refunding of evidences of debt and the refinancing of preferred stocks by the issuance of new obligations carrying a lower rate of interest, or of preferred shares having a lower dividend rate, has accounted for about 80% of all corporate financing from January 1 to July 31, 1945. For the four years and seven months ended on the latter date refinancing at lower rates accounted for about 72% of all corporate financing in the public markets.

Our business has been engaged in and is now probably well past the peak of the second major refinancing movement to lower interest or dividend rates, which has occurred in the field of corporate finance in the past fifteen years. The first of these movements reached its peak in 1935 and 1936, ending with the market break of September 1937.

With so much business in hand and so many things to do it is possible that insufficient attention has been given to the prime economic function of channeling savings into new investment for the further development of industry.

If we are to see developments in true perspective we must look at the market as a whole. In doing so we find that more than 87% of all financing by public utility corporations, in the period of about 4½ years from Jan. 1, 1941, to July 31, 1945, consisted of refunding or refinancing operations. Only 12% of the total of offerings by public utility corporations was for the purpose of obtaining new money and, for the most part, such offerings occurred in 1941 and 1942. In the seven months ended July 31, 1945, more than 97% of the financing engaged in by public utility corporations was for refunding purposes and only about 2.5% represented "new money" financing.

Out of the $1,831 million of financing by the railroads in the four years and seven months ended July 31, 1945, $484 million, or 26.4%, represented "new money" issues and $1,347 million, or 73.6%, represented refinancing into issues carrying lower rates of interest. However, the railroads, in common with the public utility companies, have recently been engaged almost wholly in refinancing operations. For the seven months ending July 31, 1945, only about 7% of the new issues of railroad obligations was for the purpose of obtaining "new money"; the remaining 93% representing refunding operations.

Industrial Corporations and "New Money"

Industrial corporations have to a greater extent entered the capital markets in recent years for the purpose of raising "new money." We find, for example, that in the seven months ended July 31, 1945, about 40% of all new financing by industrial corporations was for the purpose of raising "new money," while only about 20% of all corporate issues during this period was for that purpose. Throughout the period for four years and seven months ended July 31, 1945, 41% of all new issues sold in the capital market by industrial corporations was for the purpose of raising new money. The corresponding figure for *all* corporations represented 26% of the aggregate amount of corporate issues sold in the capital markets.

Refinancing of funded debt and preferred stocks accounted for about 56% of all funded debt financing by industrial corporations during the period of about 4½ years. Sales of securities for "other purposes," chiefly to accomplish change of ownership, accounted for about 3% of the remainder of all corporate financing.

It seems clear that when the public utilities and the railroads have completed their refunding operations (and many of them have already done so) successful operation in the investment banking business will depend to an increasing extent on the rendering of constructive service in the field of indutsrial finance. Successful operation will depend, also, to a considerable extent, on what is done to facilitate industrial financing under the provisions of the Securities Act and under the State blue sky laws, as well as on what is done about competitive bidding, private placement and the problem of syndicated offerings at a price fixed by agreement. All of these matters are of special concern to those engaged in handling industrial financing.

As we have already said, a proposal of the Federal Administration which would require public competitive bidding in the sale of air line securities, is now before Congress. Other agencies of Government are engaged in activities at this time which, many think, have as their objective the imposition of a competitive bidding requirement on sales of industrial securities.

Private Placements

The direct or "private" sale of corporate securities to investment institutions, without registration under the Securities Act, continues to be an important factor in the field of corporate finance. Industrial corporations now account for nearly all of the issues which are sold through this route. The requirement of public competitive bidding, in the sale of public utility issues, established by the Securities and Exchange Commission in 1941, through the adoption of S. E. C. Rule U-50, has removed most public utility issues from the area of private placement. And the competitive bidding rule adopted by the Interstate Commerce Commission, which became effective May 1944, has operated to curtail the direct sale of issues by railroad companies.

In the period of about 4½ years ended July 31, 1945, private placements are shown, by figures reported in the Statistical Bulletin of the Securities and Exchange Commission, to have amounted to $2,597 million. The totals for each year being as follows: 1941, $824 million; 1942, $422 million; 1943, $372 million; 1944, $617 million; seven months ended July 31, 1945, $362 million. These totals do not include any term loans made directly to corporations by commercial banks.

It is probable that the desire to avoid registration under the Securities Act has been an impelling reason in the decision of many issuers to sell their securities privately. The pressure of the large volume of funds in the hands of insurance companies and other institutions and constantly seeking outlets is also an important factor in the situation. And, it seems probable that an increasing volume of the better grade industrial securities will be sold through private placement in the future. We may expect that the investment banking business will always be at a distinct disadvantage in competing with direct buyers unless the Securities Act is changed to equalize the position insofar as it is determined by the requirements of registration, possibly by exempting certain issues from registration.

Syndicate Price Control

The maintenance of a fixed offering price by agreement between underwriters and dealers during periods when an issue is undergoing initial distribution is an essential part of the machinery by which new capital is obtained by industrial corporations through the public sale of their securities. The sale of a high grade issue of refunding bonds of a well known public utility company may, perhaps, be carried out successfully without an agreement to offer and sell only at a stated and agreed price. But a different situation arises when the name of the issuer is new or not well known. The Securities and Exchange Commission has recognized this situation in its "Release" (No. 3700 under the 1934 Act) in the so-

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Industrial Securities Committee Concerned Over Control of Aviation Issues

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called P. S. I. case and has expressed the view that the agreements under discussion in that case were not in violation of the Sherman Anti-Trust Act. A Bill which would clearly authorize such agreements and remove all doubt as to their legality was introduced in Congress early this year (H. R. 1626, dated Jan. 18, 1945). Your Committee believes that legislation to accomplish this purpose is desirable and should have the active support of the Association.

Effective Date of Registrations

Of particular concern to industrial corporations which wish to engage in new financing and to controlling persons of corporations whose securities are being placed on the market for the first time, is the appearance of what seems to be a new doctrine relating to the interpretation of the provisions of Section 8 (a) of the Act, as amended in 1940, governing the coming into effect of a registration statement.

Originally the effective date for a corporate issue was the 20th day after filing. In 1940, when the Investment Company Bill was before Congress an amendment was added to that Bill which changed the provisions of Section 8 (a) of the Securities Act to provide that registration statements would become effective on the 20th day after filing or on such earlier date as the Commission might determine "having due regard to the adequacy of the information respecting the issuer theretofore available to the public, to the facility with which the nature of the securities to be registered, their relationship to the capital structure of the issuer and the rights of holders thereof can be understood, and to the public interest and the protection of investors."

The words just quoted represent the new language introduced in 1940. As understood at that time, the new language was intended to set up standards to be applied by the Commission in deciding whether it would be appropriate to permit a registration statement to become effective within a period of *less* than 20 days after the date of initial filing.

For two years or more following enactment of this amendment the Commission pursued a policy of accelerating most registration statements and, on the average, registrations became effective within seven to ten days after the date of filing.

In the course of the past year or more, however, the Commission appears to have developed a new theory as to the intent and purpose of the language contained in Section 8 (a) as amended in 1940.

At present the Commission's policy tends to discriminate against registration statements filed by controlling persons both as to time of making them effective and as to whether the controlling person is paying the proper share of expenses of registration. The Commission also refuses as a general rule to accelerate the effective date where indemnity runs from an issuer to an underwriter in the case of the sale of securities by a controlling person.

The Commission has also acted under Section 8 (a) to prevent a registration statement from becoming effective in cases where a preliminary or "red herring" prospectus has been distributed to the public in advance of the public offering date. As a result of this action underwriters are now extremely reluctant to make "red herring" prospectuses available and a new obstacle has been placed in the way of the less well known industrial corporations who may be seeking new money in the capital markets.

Then there is the further fact that in the course of the past year or so the Commission's staff has found itself heavily burdened by work with the result that for this reason alone registration statements are sometimes allowed to run twenty days or more before they become effective.

In view of this it seems to your Committee that action should be taken with the object of establishing a definite statutory period of time within which registration statements shall become effective. Such a change would enable industrial issuers, and owners of small corporations to whom such matters are of great importance, to go forward with their plans with more assurance as to the final outcome than is possible under existing practice.

Government's Place in Industrial Financing

Throughout the War period the United States Government acted as the primary banker for industry and as its chief source of new capital funds. War loan bonds were sold to the public and out of the proceeds large amounts were used to build industrial plants and to make loans to industry. Government has carried virtually all of the risk. The necessity for this during War need not be debated here. But with the coming of peace the function of raising funds to supply the capital needs of industry should revert to the investment markets.

For several years the general investment market has not operated efficiently to supply "new money" or "venture capital" to industry. Fiscal policies and the effect of the income tax laws have been major factors in this result. Important revisions in the tax laws have now been made and, while many grave difficulties remain to be overcome, there seems generally to be a somewhat better atmosphere for the expression of individual enterprise.

Certainly there is a vast field of opportunity for new investment in the discovery and development of new industrial products and techniques. Recently we were informed by the Director of War Mobilization and Reconversion that "the American people are in the pleasant predicament of having to learn to live 50% better than they ever lived before" and that the expansion necessary to accomplish this result "must be

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Saltonstall Forecasts Government Actions

(Continued from page 2725)

titude of mind that industries should be free to go where they can be most economically and profitably operated, otherwise our system of free enterprise breaks down and we have a greater government regulated and built economy.

Problem of Labor-Management Relations

"The problem of labor-management relations and the government's part in those relations is very acute at the moment," he stated. "The present conference in Washington between labor and management is attempting to set out a system of principles to establish the responsibilities of each. I have no sympathy with either management or labor not living up to their contractual obligations or being unreasonable in their demands. I am a firm believer in the ability of our citizens to settle their differences in a democratic fashion. I for one hope that government can be kept out of management-labor disputes just as far as possible. During the war we have gotten into the habit of looking to government to intervene. If other negotiations fail, then it is clearly the responsibility of government to step in and try to settle differences which affect the general life of the nation. But I hope we can return to relations between labor and management just as fast as possible that are personal ones and not dictated by government action. I firmly believe that only in this way can we achieve labor-management relations that are built on a solid, lasting and permanent foundation.

"The danger at the present time is that there may be some legislation that is too drastic in one way or the other. We tend to become hysterical. I believe that the present difficulties are the hangover of the war and that ultimately, when the hangover has cleared away, better and more lasting relations can be established and, I hope, without too much government interference or regulation."

Finally, he said, "The international problems will become closer to all of us and to our system of living in this country because the world has become so much smaller. They will affect your business more than before the war. We must be everlastingly sure of our security, but we must remember that our happiness and our security depend on our sympathetic understanding and our relationship with the world. Your international relationships must assume this character."

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brought about by positive policies on the part of business, agriculture, labor, and local, State and Federal Governments." Mr. Vinson, from whose report this quotation is taken, said that "the time to start hammering out these policies is now, while the transition is still young. We agree with that view. We think that the hammering should begin.

We agree also with the view expressed recently by Dr. Harley L. Lutz, Professor of Public Finance at Princeton University, who observed that if business is to operate successfully "men need a renewal of confidence that (a) they will be permitted to take chances, (b) they will be allowed to enjoy the fruits of success, (c) long-range commitments will not be jeopardized by monetary juggling, and (d) government will be cooperative and encouraging rather than coldly indifferent or hostile."

A year ago in its report to the Annual Meeting your Committee said that we could not avoid the responsibility, either as individual investment bankers or as members of this Association, of doing all in our power to create an atmosphere in which risk money can—and will—go to work. That this should be one of our major contributions to post-war America. We reaffirm that view. And, since we believe that the core of any program for the revival of a healthy system of private enterprise is a correct conception of the functions and place of Government, we believe, and we wish to emphasize the view, that this Association should at all times work actively for the adoption of positive policies and for the removal of unnecessary and burdensome restrictions which Government has imposed upon the operation of the free capital market.

Industrial Securities Committee—Robert McLean Stewart, Chairman; Henry M. Bateman, William Bayne, Fred M. Blankenship, Louis J. Cross, W. Sydnor Gilbreath, Jr., Perry E. Hall, Hubert W. Lofft, Maynard H. Murch, James Parker Nolan, Walter A. Schmidt.

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The Government Looks to Investment Bankers

(Conitnued from page 2724)

have more than tripled since the beginning of the war years, and now stand at nearly one hundred and fifty billion dollars.

Administration's Attitude on Restraints

As important a factor as any of those previously mentioned, which go to make up the outstanding opportunity that exists today for investment bankers, is the Administration's attitude toward the Government's wartime restraints. The Administration believes that an economy free from these restraints is the best possible economy for the American people. The policy of lifting wartime controls as rapidly as is prudent is guided by the belief that such a system is the one desired by the American people, and the one that they are determined to have.

That guiding principle also dictates our actions in getting the Government out of business—in turning business activities back to the businessmen as rapidly as possible.

The bankers of this country can do more than any other group of private citizens to assist the Government in getting out of business. The commercial banker has a very real concern with this subjet, but I believe that the investment banker has the paramount interest in aiding business to expand to the degree that will be necessary if we are to have the high production and high consumption levels that are desired.

With opportunity there goes an accompanying responsibility, and the greater the opportunity, the greater the responsibility. We would do well to consider some of the responsibilities that are properly yours.

A primary obligation of the investment bankers will be to provide new venture capital. You have, of course, given this subject careful consideration, and you are, no doubt, already cognizant of where your opportunities are to be found. I believe that your contribution to a greater America, in this regard, is limited only by the ability and vision of the investment bankers.

Another field to which attention should be given is the financing of small business. I know that you have already considered the possibilities of long-range financing of small business and, even though it will not be easy to find the correct solution, yet the need for such a program and the profit inherent in such business is such that I feel that it will pay dividends to continue your efforts in this direction. It may be further necessary to develop a number of methods to fit a variety of local or generic conditions.

It is possible that community financing of local projects with the participation and guidance of commercial banking firms may be feasible. I have read the report of your Small Business Committee on this subject, and I commend the Committee for its exhaustive investigation and its able report. I receive the impression from it that there is a clear understanding of the importance of this subject, and that it is the intention of the Committee to continue its efforts.

Financing "Decentralization"

A similar type of endeavor, and one on a larger scale, is the financing of new productive enterprises in less industrialized states, often described by the catch-all word "decentralization." The establishment of manufacturing plants in non-industrial regions should prove to be a benefit to the national economy of our country. During the war, the Government built numerous plants in such areas for the primary purpose of wartime security.

These plants have attracted labor, merchants and community enterprises and they may well prove to be an attraction to capital as well. Such a development has the additional merit that it makes for wider markets for products of every sort because of improved living standards and improved industrial payrolls in many states. Perhaps we should consider also, that in an atomic age such as this, the survival of a nation may depend upon the decentralization of its industry.

Checking Inflation

Another responsibility involves the part that you can take in checking inflation. Aside from the damage to the national economy, unchecked inflation would hurt investment banking as much as any other sector of our economy. I believe that investment banking may prove to be one of the major checks to inflation. If the tremendous savings in the hands of the people can be largely applied to the purchase of new securities, they will cease to present a threat of inflation.

I am told that the great majority of our people plan to buy goods out of current income or by installments payable out of future income. For the most part, savings are regarded as being available for some major investment, such as a home or an education, but are not likely to be considered for the purchase of consumer goods. Investment bankers can siphon off a substantial part of the tremendous purchasing power in this country by offering sound securities of moderate yield to the public.

Foreign Financing

I would be remiss in my duty were I not to touch upon the prospect for renewed and sounder foreign financing. There is room in this field for great development and noteworthy accomplishment. During the war years, we financed the United Nations through Land-Lease and we are assisting them now through UNRRA. Just recently, the Congress enlarged the scope of the Export-Import Bank which already has made a number of loans of consequence to friendly countries.

The Congress also has approved our participation in the Bretton Woods Agreements, and I have no doubt that other nations will soon implement such agreements and give the green light to the International Bank for Reconstruction and Development, and the International Monetary Fund. You will probably be called upon to place in this country a substantial amount of securities guaranteed by the new World Bank.

I am particularly interested in the future program of the Export-Import Bank. It is distinctly and definitely "ours." The loans made by the Bank are loans of the United States, and it will lend only to those who intend to buy our goods and only when the prospect of repayment seems clear.

Another consideration of importance, and one with which you are undoubtedly acquainted, is that the Export-Import Bank believes that it should make foreign loans only when private banking cannot serve.

The Bank expects commercial banks to be the primary lenders of funds abroad—and it has invited close collaboration on every project of this sort. The Bank also is ready to sell paper, previously acquired, to private lenders. The Export-Import Bank desires the cooperation of investment bankers in the foreign lending field.

It may well be that your principal foreign activity as investment bankers will be in the field of corporate rather than government finance, although I feel sure that there will be business of both types. Whatever the type of foreign loan, I am confident that there will be assurances of the borrowers' ability to service the debt and that the dollars needed for that purpose will be generated by the increased trade that will result. I cannot conceive that any other sort of lending will prove attractive to you as investment opportunities for your customers.

Our private investments abroad must be thoroughly business-like in character and the standards applying in the financing of corporations and municipalities in this country, for instance, should apply with equal force to our loans to foreign political bodies and enterprises. We, in Washington, want and expect investment banking to play an important part in the days ahead.

In conclusion, I consider it fitting to express the Government's gratitude for the time and effort your association and your individual members have given to the War and Victory Bond Drives. Your services were given in a spirit of patriotism and high public responsibility without thought of reward or favor, and the problems of the war years were met with courage and intelligence. I have the firm conviction that you will meet the problems of peace with the same spirit and with the same success.

* * *

Previous to the above address, Mr. Snyder spoke before the National Marketing Forum in New York City, Nov. 26. In this address, in addition to referring to and defending peacetime price controls Mr. Snyder reported on the progress of reconversion to civilian production as follows:

Actually, the progress that is being made in production is not generally known to the public. As a matter of fact, the physical reconversion of the plants that were

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in operation before the war has been 85% to 90% completed—and, as you know, thousands of plants were making for war what they would ordinarily be making for peace, except for patterns, packaging, etc. These plants were ready to go right into production for post war markets.

New industries and expansion of some of the old ones are taking a little longer time, but real progress is being made.

Every day, we learn of increased output for the public trade.

There are other indexes that promise well for the future. Let's look at the trend in steel production, freight car loadings and the volume of electric current.

Steel first. Steel is produced only to fill orders. Now that war orders are dwindling, an upward trend in steel ingot production is a definite index that foreshadows an early increase in peacetime consumer goods.

After Japan surrendered, there was a drop in steel ingot production to about 60% of capacity. By early October output had moved up again to about 80% of capacity, and the trend continues upward.

Next, freight car loadings. There, too, the trend is upward. The big dip that followed the capitulation of Japan has been succeeded by an increase, an uptrend that means the wheels of business are turning. The same thing is true of electric power production. It is worth noting that since VJ-Day, power output has been running only about 8% below the peaks of the last six months.

These are signs of increasing production—signs that goods will be in your hands before long. There are also signs that the finished articles already are starting on their way to fill up the bare shelves in the market places. The trends in the vital metalworking trades are a case in point. Metalworking manufacturers make motor vehicles, mining machinery, textile machinery, plumbing and heating equipment, stoves, ranges, furnaces, clocks, watches, radios, farm machinery, tractors, office and store machines and many other articles. These are articles that distributors are eager to sell, and that consumers are eager to buy.

Recently the Civilian Production Administration asked manufacturers in the metal-working trades about prospects for shipment of finished articles to the markets. Summed up, these reports show that manufacturing activity in the metal-working trades is moving forward rapidly. Some gains in shipments were expected by December. By the middle of next year, shipments from these firms are expected to be two and a half times the 1939 rate. Many forecast a **further** rise in shipments for the last six months of 1946.

This is the kind of production potential that will make distribution more important than ever before as this country moves forward through the reconversion period. For there is going to be more to market in tomorrow's world than there has ever been before. Today, it is merely being matter of fact to say that American industry and agriculture and labor have outproduced the world.

American industry and business has emerged from the war knowing more than ever before about how to produce efficiently, quickly, and cheaply. The release of atomic energy and the development of radar have caught the public imagination. But there have been developments less spectacular and not so widely publicized that will serve well in peacetime. Many hundreds of manufacturers have work forces that have been educated in the techniques of working to very close tolerances. Metal working has been speeded up by the widespread use of tungsten carbide cutting tools. The electronics industry has made great strides in developing process control and inspection operations.

There have been great advances in fabrication techniques and volume of production in the light metals industries. Experiments to develop substitutes for scarce items have led to the introduction of what are in many cases superior raw materials—plywood and plastics. for example.

Advance in textile manufacture has been noteworthy. During the war the textile industry learned to make new fabrics and to control quality beyond anything previously known. Take wool socks, for example. Twenty-five per cent shrinkage was usual before the war, but socks have been made for military use that shrink only 5%.

Advances have not been confined to business and industry alone, of course. American farmers are geared now to produce 30 to 35% more than they did before the war. During the war the productivity of agricultural labor increased about 16%. Moreover, improvements in agricultural technology are also going forward. The recital of increased production potential is almost endless. Americans in field, shop and factory can produce more goods today than ever before.

Railroad Committee Notes Further Credit Gains

(Continued from page 2727)

in the 1930's on account of the unparalleled resources in cash and working capital of practically every railroad. From certain angles, the financial strength of the railroads today will tend to delay a sound readjustment because the railroads are prepared as never before to live off their fat.

While a prolonged period of bad earnings, therefore, should produce no credit crisis it would undoubtedly have an effect on railroad expenditures for modernization and improvements and thus prevent the railroads from taking their proper part in the restoration of a high level of economic activity. It may be that a recognition of the improvement of railroad earning power as a factor in general employment and prosperity may turn out to be one of the most effective arguments in favor of establishing a sound adjustment between railroad freight rates and the general price level.

In the meantime the continued improvement in railroad credit would seem clearly to register investor confidence in the fundamental importance of our railroads in the field of domestic transportation.

Railroad Securities Committee—Fairman R. Dick, Chairman; Pierpont V. Davis, W. Lloyd Fisher, Rowland H. George, A. Northey Jones, Arthur Knies, John S. Loomis, Robert G. Rowe, Percy M. Stewart, Henry S. Sturgis.

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What's Ahead for Investment Banking?

(Continued from page 2723)

position he may lose sight of the picture as a whole. Capital and business want lower taxes, less restraints, more profits. Labor wants higher wages. Politicians want pleased and happy voters. Quick and easy profits are giving investors an unhealthy flush. Advertisements "This is a speculation" seem to do the trick. Everyone goes along with the crowd. There is danger in this situation. The storm signals are out. Inflation feeds on appeasement.

Strangely, fears for the future run in two directions. Some express concern over deflationary tendencies just around the corner. Now it's true we may get the mumps next fall, but right now we are exposed to measles—and this is our present problem. Let's get over the measles and then take on the mumps.

The following points relate to inflation remedies:

(a) For 150 years the best investment in the world has been a U. S. Government Bond—the purchase of war bonds by individuals is an opportunity for the investor and a cure for inflation.

(b) Inflation cannot flourish where production is great. If we can eliminate work stoppages and get our plants into full operation the inflation problem will be solved.

(c) The average banker is afraid to mention labor for fear he will get his ears pinned back, but now is the time for every man to speak his piece. We all stand to win or lose. This country has the most effective laboring man in the world. No one can deny it. He produces more, deserves more, and is a better all-around citizen than his counterpart in any other country on the globe. But he should look inflation squarely in the eye because he stands to lose just like everyone else. Actual weekly earnings have about doubled since 1939. Real weekly earnings have advanced about 50% during that time. Inflation can destroy those gains.

In suggesting the responsibility of labor towards inflation businessmen should not forget higher executive salaries don't set well with reduced wages. Serenity is the most important thing in a family or in a nation. Everyone likes to see the other fellow do his part, but right now holding the line against inflation and paying off the public debt are the two pressing financial problems. Capital, harassed as it is with taxes, must take the rap and whittle down the Government debt. Labor should pull in its horns on wages and get some goods on the shelves or the take-home pay won't buy a thimbleful. Appeasing everyone defrauds everyone, especially those who live on wages or fixed income.

Solvency and Thrift in Government

Our public debt is now 263 billions. By July 1, 1947, it probably will reach 300 billions. All sorts of things can be done with budget figures but the danger point to watch in this country is the over-all size of the public debt and the will to pay it. There are 85 million bond buyers in this country. If we are to keep faith with them and remain solvent, the matter of a balanced budget must get past the talking stage. We have had an unbalanced budget since the second year of the Hoover administration. Even conservative economists are talking now in terms of balancing the budget in cycles. Human nature being what it is, cycles may mean "Never." Our present unhealthy trend has been so long with us we think of it as normal. For 15 years we have been passing from one emergency to another. The Secretary of the Treasury who really reverses the trend will occupy a place in history with Alexander Hamilton. He will need the will to pay among the voters. He will need a Congress which can say "No" to pressure groups and increased expenditures. The debt-cutters must beat the tax-spenders to it. Thrift and solvency in Government will cure inflation and solve our financial woes.

SEC

It is assumed our SEC friends in Philadelphia will soon be moving back to Washington. Most officials like to be near headquarters. We know people want someone to ride herd on us. That is O. K., but wherever those herdsmen may be we wish Congress would take time off and look at what has happened in 12 years to the flow of investment capital in this country. Certain changes are badly needed and especially in our registration procedure.

Why is it small business wants and gets exemption from the registration regulations? Why do the big banks, the big insurance companies, the big buyers, and the big sellers of securities want and get exemption? Why is there talk that foreign securities should be exempted? The answer is: People instinctively avoid red tape, delays and bottlenecks. Private placement has become the easy road around. Big buyers and big sellers get together and by-pass the present over-complicated registration procedure. Starting at almost zero, private placement has mounted and mounted until in 1945 it will reach nearly half of all financing.

In dealing with matters affecting the fate of nations, Churchill is alleged to have said, "Put it on one page." Yet we are required to reach Mr. Average Citizen with sales prospectuses one inch thick and a foot long. No investor living or dead has ever read one. A Churchill should rise up in Congress or in the SEC and say "Put it on one page." Getting private capital back to work is a big job. There are 85 million investors in this country. To reach them we must eliminate red tape, bottlenecks, and the reams of fine print which even the Philadelphia lawyers never read.

Skimming the Cream

The 1929 experience left many scars. It scared the daylights out of people about investments and drove this country into a "riskless economy." Everyone ran to the Government for help. Bankers swore a mighty oath they would not take chances with their own capital or that of anyone else, so help them. They made a firm resolve never to permit the banking machinery to again become a gambling device.

It may well be we have gone too far in another direction. There is a tendency on the part of the most experienced men in financial circles to get in a storm cellar and pull the cellar in after them.

Skimming the cream may appear a safe and pleasant occupation—something like shooting mackerel in a barrel. It may look like sure profits on safe deals, but something must be added if the vast reservoir of idle capital in this country is to be put to work properly. The man of tomorrow is the one who does something about calculated risks.

It has been suggested banking needs more capital. That is no doubt true for both investment and deposit banking. The ratio between capital and deposits needs strengthening. Deposit banks have no more capital now with 150 billions of deposits than they had in 1929 with 59 billions of deposits. Investment bankers may have enough capital for their present volume but if they are to meet the needs of the future more capital will be required.

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Foreign Finance

The issue in the field of foreign finance is clear. Some insist we should attempt to maintain in this country a flaming economy independent of foreign nations. Others say it can't be done that way. They believe we must send our dollars abroad just as we sent our soldiers abroad. No other financial subject will be more vigorously debated in the months ahead.

For background we have the depressing losses encountered on foreign loans of the 20's. American investors are inclined to the dismal view. In recalling the mistakes of the past, the following points stand out:

(a) Lenders courted the borrowers, an unwholesome and unnatural business. More loans were made than were really needed or in many cases wanted by responsible people in affected countries. Plunging people further into debt did not provide the answer.

(b) Interest rates were high; the pay-off was not well arranged.

(c) When the going became hard, borrowing countries defaulted and instead of servicing their debts used the money to buy back their bonds at a few cents on the dollar.

As a result, many original investors got out or were forced out at the bottom. They really took it on the chin.

When we consider the Bretton Woods Plan, the program for the Export-Import Bank, loans to Britain and other countries — things already in motion — the total credits may reach, or even exceed, 20 billions. The die is cast. We are no longer financially isolationist. England, the principal international banker since the time of Queen Elizabeth, is no longer able to carry on in that role. Uncle Sam is stepping into John Bull's shoes, fortified with little experience and that mostly bad, plagued with an inferiority complex, and exhibiting himself as a reluctant and somewhat sulky leader pushed in to head the procession.

This country is in much the position of a strong bank in a financial crisis. The first impulse is to say "Let the weak banks fail. It serves them right." When disaster comes closer and closer, the strong bank begins to fear for its own safety. It starts propping up situations here and there to safeguard its own house. Credit is rationed at one point and another, but always with some strings tied to it. These strings are intended to protect the lender and to help the community.

In our present situation what needs to be propped up first? We all know the answer. It is England. The need is large and important. It is better to have a strong ally than a weak one. As bankers, however, we well know the time to get the collateral, and to tie the strings, is before, not after, the loan is made. A plan for helping England is taking shape. Some of the major features are indicated.

Now is the time to be completely unemotional about this thing. **We must be sympathetic but sensible.** In charting our course for international finance, we should remember:

(a) We do not have unlimited funds, but, on the other hand, there is no marble game if one boy has all the marbles.

(b) We'll never be paid back unless we are willing to buy from abroad.

(c) Right now foreign lending is too risky business for individual investors. Rubber may save the world, but the fact will not nourish the investor who loses the money he puts into a rubber plantation. For the present our Government must assume most of the risks.

(d) Foreign finance, however, is not just a job for the "do gooders." Businessmen and bankers should be permitted to look at the picture. Up to now the Government has shown a disposition to have private showing for technicians only. As time passes, and conditions stabilize, foreign business should get back more and more into private hands.

(e) Stakes are tremendous in foreign finance, but the rewards can be truly great. Make no mistake: Multilateral trade among nations and stabilized currencies point to the paths of peace.

Future in Banking

No year is complete unless someone twists the tail of banking. It is interesting to speculate on what may happen next. Whenever there is a lull, it is a safe bet someone will try for the headlines. Rumor has it there is one more investigation left in the barrel, to go back 25 years in the relation between business and finance. Business being already numb from filling out blanks can no doubt survive. The advice of bankers has not been sought, but if we were permitted one thought it would be: "We do not fear investigation but let's be constructive and concentrate on the job of today and tomorrow."

Everyone shies away from long range forecasting. Most other nations, including England, have been moving to the left, some very rapidly. Business as we know it is having a rather lonesome time in the world. Still, our system has worked best in the past and we think it will work in the future irrespective of what other countries do.

Investment banking never had more good cards to play—never had greater opportunities—never had the field of venture capital more completely to itself. There seems to be a period of turbulent but expanding private business ahead. The years before us should be exceedingly busy ones, interesting and profitable for all of us.

There is no bomb-proof theory of investment. On the other hand, timidity is not a synonym for caution. The wise man or the wise institution is the one that weighs the chances and decides accordingly. It is that policy which wins battles, and wins wars.

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Bright Prospects for Utility Investments

(Continued from page 2698)

has increased the cost to the customer has consistently gone downward, both through rate reductions and the operation of step rates. The mythical average customer in the country used 430 kwh. in 1926 at an average cost to himself of 7¢ per kwh. Last year he used 1151 kwh. at an average cost of 3½¢ per kwh. In a recent 12 months' period the usage reached the 1200 kwh. mark. Every year since this series of figures was started in 1926 shows higher usage and lower average cost, as compared with the preceding year, with the single exception of 1933 when the usage went down only 1 kwh.

Contrast the downward trend of the cost of electricity with the trend of most other items in the household budget and this stands out very favorably indeed. Industrial and commercial usage of electricity has been more sensitive to the business cycle but the long term trends have been the same. The growth record with freedom from serious setbacks in depression years has contributed to a high investment standing for public utility securities.

The Outlook for Utilities

If I may assume fairly complete agreement that the past record is an impressive one, the next question is "Where do we go from here?" It is especially timely to raise this question at the moment when reconversion problems and post-war markets are universal topics of conversation. In the first place, utility companies face no physical reconversion problems. True, they have plenty of readjustments to make in policies and programs but not one minute has to be spent for changing over generating equipment, transmission lines or other major property items.

The industrial business of the companies will be reduced but much of this has been serviced at a very small profit. Speaking in general terms, industrial business yields only about one-third as much kwh. as commercial business and about one-fourth as much as domestic business. In some cases companies have been hard pressed to get back a new dollar for an old for the electricity they have been selling to war plants.

During the war, appliances have been off the market and the companies could not promote their domestic and commercial business aggressively. That situation is now on the verge of a fairly complete change because with the reconversion of industrial enterprises, appliances will be on the market in fairly short order and most of the utility companies have definite programs for renewing sales activities.

I have been interested in looking over a number of surveys, made by people not connected with the utility industry, as to what people are going to spend their money for when merchandise is again freely available. These surveys indicate people will be in the market for electric appliances in a big way. In some cases the demand may be for replacement but there are a lot of new appliances which will bring brand-new load to the utility companies and many of these use a great deal of electricity. Such items as ironing machines, room coolers, electric bed blankets, and home freezing units have a very low saturation now, but will be in demand and will add greatly to the domestic load. Some utility companies predict they will double their domestic load in five years and some say they will increase it 50%. Whatever the percentage is, it will be big.

More Lighting

There are going to be higher standards of lighting in your homes and in the stores. Incidentally, I would like to dismiss the fears many people have about fluorescent lighting. To be sure, fluorescent bulbs use less electricity than the incandescent bulbs to produce the same light but the interesting thing is that the quantity of fluorescent bulbs which manufacturers expect to sell in the next few years for residential business, while showing a substantial percentage increase, still promises to be only a very small fraction of all light bulbs sold.

Street and highway lighting is another promising field because safety promotion programs point out the need for better lighting. The rate of accidents has been cut down somewhat in daylight hours but they have been increasing at night due largely to inadequate lighting of streets and highways.

Rural electrification is another field still to be exploited and the farmer is a much bigger user of electricity than customers in the cities. The net increase will be a big increase in business in the domestic and commercial fields.

Labor Expenses

Daylight saving has now ended and this will mean a definite pick-up in load. The companies will have relief from many extraordinary expenses growing out of the war. Labor expenses will remain high but I want to point out that the payroll expenses of most utility companies represent only about 15 to 20% of operating revenues. The price of oil has already shown a drop and is likely to decline further. The price of coal may not come down quickly but many companies have complained about the quality of coal they have been getting during the war and they will get some relief if a better quality of coal were available even if the price does not come down.

The companies now will be able to shut down their high-cost plants which they have had to operate to meet peak loads. Furthermore, many companies which have been unable to get new generating equipment during the war now will be able to install it and new equipment usually brings down the cost of power.

I should mention the very strong financial position in which the utility companies are today. There has been a marked reduction in the ratio of their debt to operating revenues; in other words, they have increased their business substantially without a corresponding increase in bonds. The companies are now charging much more depreciation than formerly and this helps finance construction requirements.

The SEC have done a great deal to promote the strengthening of financial structures. In many respects, the utility financial structure of today is, generally speaking, very much stronger than the typical one of a few years ago. Furthermore, many questionable practices of the past are now entirely impossible under present day regulations.

Tax Reductions

Probably one of the outstanding things to take into consideration is relief from war-time taxes, especially the Excess Profits Tax. Let me warn you that the repeal of the excess profits tax does not mean that all the money involved immediately becomes available for stockholders. Income which has been subject to the E. P. T. now becomes subject to normal and surtaxes. That may seem elementary to some but I have been surprised to find the errors people have made in thinking the excess profits tax can all be salvaged. Furthermore, in some cases it must be depended upon to give a cushioning effect for any temporary loss of business. However, in a great many cases, at least, a modest portion of what had been going into E. P. T. ought to be available for the stockholders. Some companies have been particularly hard hit. One of the outstanding examples is Southern California Edison which, last year, had to appropriate over 20% of every dollar of gross for E. P. T. alone. Pacific Gas & Electric had to appropriate 13¢ of every dollar while Peoples Gas & light & Coke set aside 18¢. To mention a few of the unlisted stocks, Public Service of Indiana has been earning around $2 a share and has been setting aside over $5 for E. P. T. Southwestern Public Service has been earning around $1.85 but has been providing more for E. P. T. than it has been earning for its stock. In that case, the company has had non-recurring credits so they have not actually been paying the E. P. T. but have reported earnings indicating provision necessary without the special savings. Incidentally, Southwestern Public Service is a company well worthy of your attention if you are seeking a company with better than average growth possibilities. Its properties are in Texas and eastern New Mexico where there is a lot more chance to pick up business than there is in many other spots.

Public Service of Colorado has been paying an E. P. T. Of course, the whole concept of the Excess Profits Tax is false, as far as utility companies are concerned, because their rates are regulated and "excess profits" is strictly a misnomer.

The Stocks of Operating Companies

One of the fruitful fields to watch is the break-up of holding companies and the coming of operating company stocks (which have been previously owned by the holding companies) into the hands of the public for the first time. I think there lies one of the outstanding opportunities of the next few months, both for dealers and investors, to make an honest turn and get a reasonable profit.

Experience has shown that stocks which come out in this kind of a distribution follow a rather definite cycle. When the shares come into the hands of the public for the first time the name is unfamiliar and it takes a while for dealers to work up enthusiasm and go out and place the shares with the people who are going to put them away for long term investment. I need only mention a few names to remind you of profits which have already been possible. Such stocks as Philadelphia Electric, Public Service of Colorado, Idaho Power, Delaware Power & Light, Central Illinois Electric & Gas and Empire District Electric are selling for substantially more than the prices at which they were first available. Of course, if stock comes out through rights or by distribution the chances for immediate bargains are greater than if the stocks is sold by competitive bidding.

Looking ahead there seem to be a considerable number of these new stocks on the horizon. It looks as if Pennsylvania Power & Light common stock will be offered to National Power & Light stockholders for subscription in December, and later on, there will be an outright distribution to the National stockholders. This Pennsylvania stock more than some others has both positive and negative features but if these are weighed and recognized I feel the stock promises to be attractive at around the price at which people are expecting it come out.

Later on, Carolina Power & Light and Birmingham Electric will be distributed to the National stockholders. Columbia Gas & Electric has a plan which, if approved, will call for Cincinnati Gas & Electric and Dayton Power & Light common to be offered to the Columbia stockholders. Both of these will be very well re-

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ceived and will be desirable merchandise.

Engineers Public Service has filed a plan contemplating offering rights to buy Gulf States Utilities and an outright distribution of El Paso Electric and Virginia Electric & Power. American Light & Traction is working on a dissolution plan which will bring Michigan Consolidated Gas, Milwaukee Gas & Electric and Madison Gas & Electric common into the public's hands for the first time. These are by no means all that are coming but they represent a fair sample.

Incidentally, it is possible to anticipate these break-ups by purchasing holding company stocks. The spread between the break-up values and the market prices of holding company securities has been narrowing, but on the other hand, the time element is growing more favorable.

Within about a month, Associated Gas & Electric bonds will be exchanged for stock of General Public Utilities Corp., the successor company in reorganization. This stock will have good earnings and will be very attractive. Some day the process may be carried a step further and the underlying shares distributed although this is indefinite at the moment.

North American Company stock is a very attractive medium for the investor wishing a combination of good current return and potential appreciation of modest proportions. The underlying companies in this picture, like Union Electric Company of Missouri, Wisconsin Electric Power and Cleveland Electric Illuminating are among the best in the business.. Middle West Corporation is another stock which appears to be selling still below its break-up value. Many of the preferred stocks of holding companies like American Power & Light, Standard Gas & Electric, Commonwealth & Southern and others still sell for less than will probably be realized for them in due course.

The Shares of Holding Companies

The outlook for some of the common stocks of holding companies having preferreds ahead of them is not quite so clear cut because there has been rather extravagant speculation in some of these issues, particularly those that come in the low-priced field. These should be examined therefore with much care.

Not all holding companies will break up and among these United Light & Power appears to have very interesting possibilities. This company will remain in control of a group of integrated properties in the the middle west. Proforma earnings filed as an exhibit with the SEC show that when all transactions pertaining to integration and refinancing have been completed this common stock should earn $2.33 per share. However, this was based on a 50¢ normal and surtax estimate and the bill that passed Congress provides for 38%. The estimate therefore should probably be nearer $3 per share than $2.33. Just recently, one part of the program was announced, viz., plans for refunding debentures with low rate bank loans and the stock jumped two points. When plans are laid out as clearly as they were in this case it is foolish to wait for the steps to happen before undertaking buying.

Another field which dealers should not overlook is presenting the merits of public utility equities to institutions and private investors who have previously bought primarily bonds and preferred stocks. Many such investors are under pressure to keep up their income and will welcome the opportunity to put some money to work at 4¼% to 5% if they fully appreciate the underlying strength and quality of these stocks. Banks with trust accounts are getting increasingly interested in these stocks and dealers could get this business and do their institutional clients a favor if they would sit down with them and show them just what these stocks have to offer.

Obviously, you want to talk about the better-known and higher-grade stocks, such as Commonwealth Edison, Southern California Edison, Pacific Gas & Electric, American Gas & Electric, and Delaware Power & Light to mention only a few.

You cannot be indiscriminate in these recommendations. For example, I have been consistently suggesting the sale of Consolidated Edison of New York in favor of more promising situations because this company has been unable to show much increase in its earnings, before Federal taxes. If a company cannot do this, it does not speak well for its vitality.

While they are not appropriate for institutional purchase, the stocks of many small operating companies have a great deal of promise and I would urge you never to pass up a situation merely because of size. I have been familiar with a lot of small operating companies and have great respect for the management which many of them enjoy.

Summarizing, I would say that the utility picture is one which deserves very careful study and consideration on the part of both the dealers and the investing public and I think the field has real promise in the months which lie just ahead.

In Attendance at IBA Meeting

(Continued from page 2760)

Simonds, Ralph W.	Baker, Simonds & Co.	Detroit
Sipp, Paul	First of Michigan Corporation	New York
Skinner, David L.	Harriman Ripley & Co.	New York
*Slezak, G. Edward	Loewi & Co.	Milwaukee
Smenner, Harry	United Press	Chicago
Smith, Dudley C.	Investment Bankers Assn.	Chicago
Smith, George W.	First Securities Co.	Chicago
Smith, H. Laird	Equitable Securities Corp.	Nashville
Smith, J. Ryan	Harvey Fisk & Sons	New York
Smith, Lorne C.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
Smith, Norman P.	Merrill Lynch, Pierce, Fenner & Beane	New York
Smith, Solomon B.	Northern Trust Co.	Chicago
Smith, Weston	Financial World	New York
Smucker, Otto	Chicago Sun	Chicago
Smutny, Rudolf	Salomon Bros. & Hutzler	New York
Snow, Warren H.	E. H. Rollins & Sons	New York
Enyder, Jack B.	Estes, Snyder & Co.	Topeka
Snyder, John W.	Director of Reconversion	Washington
Sohn, J. Edward, Jr.	Lincoln National Bank	Cincinnati
Song, Elmore	Goldman, Sachs & Co.	Chicago
Spalding, Evans	John J. O'Brien & Co.	Chicago
Spaulding, George F.	Northern Trust Co.	Chicago
Speas, J. W.	First National Bank	Atlanta
Spink, Harold H.	E. H. Rollins & Sons	Chicago
Springer, Charles G.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
Staley, Thomas F.	Reynolds & Co.	New York
Starring, Mason B., Jr.	Graham, Parsons & Co.	New York
Stearns, Philip M.	Estabrook & Co.	Boston
Steele, Harry J.	Glover & MacGregor	Pittsburgh
Steindecker, Otto H.	New York Hanseatic Corp.	New York
Stephenson, Edwin A.	Chase National Bank	New York
Stephenson, F. Kenneth	Goldman, Sachs & Co.	New York
Stern, Russell T.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
*Stevenson, Gethryn C.	Bacon, Stevenson & Co.	New York
Stevenson, Robert 3rd	Investment Bankers Assn.	Chicago
*Stewart, Percy M.	Kuhn, Loeb & Co.	New York
Stewart, R. McLean	Harriman Ripley & Co.	New York
Stillman, George H.	H. M. Byllesby & Co.	Minneapolis
Stirling, Louis J.	Hirsch & Co.	Chicago
Stitzer, Raymond D.	Equitable Securities Corp.	New York
Stone, Fred D., Jr.	John Nuveen & Co.	Chicago
Strader, Ludwell A.	Scott, Horner & Mason	Lynchburg
Straus, Frederick	Straus & Blosser	Chicago
Streat, Hearn W.	Blair & Co.	New York

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Topping, James D.	Braun, Bosworth & Co.	New York
Torrey, Clare M.	Cohu & Torrey	New York
Treuhold, Eugene	L. F. Rothschild & Co.	New York
Tripp, Jerome C. L.	Tripp & Co.	New York
*Trost, Milton S.	Stein Bros & Boyce	Louisville
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(Continued on page 2770)

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In Attendance at IBA Meeting

(Continued from page 2769

Tubby, Harold	Hemphill, Noyes & Co.	Chicago
Tucker, Norman M.	Chase National Bank	San Francisco
Tuerk, Fred R.	Cruttenden & Co.	Chicago
Tunnell, Paul	H. M. Byllesby & Co.	Pittsburgh
Turner, Arthur C.	New York Hanseatic Corp.	New York
Tweedy, Albert W.	H. C. Wainwright & Co.	Boston
Tyson, Robert W., Jr.	Blair & Co.	New York
Urell, William H.	Barr Brothers & Co.	New York
Valenta, Frank L.	Distributors Group, Inc.	New York
Van Camp, Owen V.	Enyart, Van Camp & Co.	Chicago
Van Court, Albert E.	Gross, Van Court & Co.	Los Angeles
Vanderpoel, Robert P.	Chicago Herald-American	Chicago
Van Hart, T. George	Salomon Bros. & Hutzler	New York
Van Winkle, Paul K.	Paine, Webber, Jackson & Curtis	Chicago
Varnedoe, Samuel L.	Varnedoe, Chisholm & Co.	Savannah
Veit, Robert T.	Shields & Co.	New York
*Vieth, Walter E.	Vieth, Duncan and Wood	Davenport
Vind, Helen	Fortune	New York
Vinson, Edgerton B.	Hallgarten & Co.	New York
Vision, Jean	Investment Bankers Assn.	Chicago
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Wakeley, Thompson M.	A. C. Allyn & Co.	Chicago
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Walker, G. Herbert, Jr.	G. H. Walker & Co.	New York
Walker, Joseph T., Jr.	Hornblower & Weeks	Boston
Walker, Robert P.	F. S. Moseley & Co.	Chicago
Wallace, Darnall	Coffin & Burr	New York
Wallace, Howard O.	Geo. D. B. Bonbright & Co.	Rochester
Walter, Benjajmin A.	Bingham, Walter & Hurry	Los Angeles
*Walters, P. A.	Stone & Webster and Blodget	Chicago
*Walton, Gus B.	Walton, Sullivan & Co.	Little Rock
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Ward, Norman B.	Norman Ward & Co.	Pittsburgh
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*Washburne, Hempst'd	Harris, Hall & Co.	Chicago
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Watson, Philip K.	Campbell, McCarthy & Co.	Detroit
Weaver, Deane L.	G. Brashears & Co.	Los Angeles
Webster, Byron G.	Merrill Lynch, Pierce, Fenner & Beane	Chicago
Webster, Robert C.	Webster & Gibson	Nashville
Weed, William F.	Baker, Simonds & Co.	Detroit
*Weeks, Robert S.	Whiting, Weeks & Stubbs	Boston
Wegener, Theodore H.	Wegener & Daly	Boise
*Weltner, Adolph E.	A. E. Weltner & Co.	Kansas City
Wendell, Barrett	Lee Higginson Corporation	Chicago
Wheeler, Howard S.	Leedy, Wheeler & Co.	Orlando
Whitbeck, Brainerd H.	First Boston Corporation	New York
White, Alexander M.	White, Weld & Co.	New York
White, Harry H.	White, Hattier & Sanford	New Orleans
White, Kelton E.	G. H. Walker & Co.	St. Louis
Wigeland, Andrew E.	City National Bank	Chicago
Wilhide, Claude W.	Baker, Watts & Co.	Baltimore
Willard, E. Warren	Boettcher & Co.	Denver
Willard, Frank A.	Reynolds & Co.	New York
*Williams, Emil C.	Chemical Bank	New York
Williams, H. G.	Quail & Co.	Davenport
Williams, Robert N.	Milwaukee Company	Milwaukee
*Williams, Warren D.	Ryan, Sutherland & Co.	Toledo
Wilmot, W. G.	Hibernia National Bank	New Orleans
Wilson, E. I.	Merrill Lynch, Pierce, Fenner & Beane	New York
Wilson, H. Warren	Union Securities Corporation	New York
*Wilson, Lyle F.	Pacific Northwest Co.	Seattle
Wilson, Walter W.	Morgan Stanley & Co.	New York
Wiltberger, Alfred S.	Blyth & Co.	Chicago
Whipple, Jay N.	Bacon, Whipple & Co.	Chicago
*Williams, Elmer L.	Allison-Williams Co.	Minneapolis
Wirry, Tony	Chicago Tribune	Chicago
Witter, Jean C.	Dean Witter & Co.	San Francisco
*Wittich, Wilbur R.	Maxwell, Marshall & Co.	New York
Wolff, James W.	Newburger & Hano	Philadelphia
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Writer, Harold D.	Peters, Writer & Christensen	Denver
Wulbern, Edward B.	R. S. Dickson & Co.	Charlotte
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NASD District 13 Receives Nominees

Herbert F. Boynton of F. S. Moseley & Co. has been nominated to succeed Henry G. Riter 3rd as a member of the Board of Governors of the National Association of Securities Dealers from District 13, it was announced by George N. Lindsay, Swiss American Corporation, chairman of the district.

Nominated for membership on the District Committee were Francis Kernan, White, Weld & Co., New York, to succeed Wright Duryea of Glore, Forgan & Co.; Charles L. Bergmann, R. W. Pressprich & Co., New York, to succeed Tracy R. Engle, Buckley Brothers; George Geyer, Geyer & Co., Inc., New York, to succeed George N. Lindsay, Swiss American Corporation; William C. Rommel, J. S. Rippel & Co., Newark, to succeed Julius A. Rippel, Julius A. Rippel, Inc.; and Richard L. Kennedy, Harris, Upham & Co., New York, to fill the unexpired term of Herbert F. Boynton.

Additional candidates may be nominated by members of the Association in District 13 as provided in the By-Laws.

Members of the Nominating Committee are: Walter F. Blaine, Goldman, Sachs & Co.; Henry F. Egly, Dillon, Read & Co., Inc., Frank Dunne, Dunne & Co.; Richard F. Abbe, Van Tuyl & Abbe; and David S. Rutty, Sage, Rutty & Co., Inc.

Swift, Henke & Co. Opens in Los Angeles

LOS ANGELES, CALIF.—Swift, Henke & Co., members of the Chicago Stock Exchange, has opened an office in Los Angeles under the management of Edward J. Bourbeau. Mr. Bourbeau was formerly with Straus & Blosser in Chicago.

Public Utility Securities

(Continued from page 2702)

these three issues will amount to about $125 a share or some $60,000,000. However, this part of the program will apparently be deferred and some change in the plan might be possible before expiration of the "deadline" of Nov. 1, 1946.

Niagara Hudson in 1944 had an equity in subsidiary earnings other than Buffalo Niagara & Eastern of about $4,136,000, which would perhaps be increased to around $6,000,000 by tax savings, etc. This would be equivalent to about 68¢ a share on Niagara common (assuming that all of the Buffalo Niagara Electric were disposed of). Capitalized at 14 times earnings, such earnings would make the stock worth an estimated 9½. To this might be added a possible cash distribution of the $30,000,000 estimated proceeds of the Buffalo Niagara Electric sale after deducting the bank loan and the preferred dividend requirements. This would be equivalent to a little over $3 a share, making the potential market value, based on the above liberal estimates, around 12½ (which compares with the recent price around 8).

Obviously, however, because of the numerous difficulties and assumptions involved in the calculation above, such an estimate might prove considerably wide of the mark. In any event, the company has made great progress in meeting the regulatory conditions imposed on it by both the New York Commission and the SEC, which in itself greatly strengthens the speculative position of the common stock as compared with the situation over the past two or three years.

Collectivism on the American Scene

(Continued from first page)

others, who are simply paid to think.

Their numbers and their influence represent a more recent development in our country than perhaps many of us realize.

The early intellectual thoughts that vitalized our people and made the pattern for our great nation unique in all the world were largely the product of amateurs—amateur intellectuals, if we might call them that.

Thomas Jefferson was a great intellectual leader. But he was also a farmer. Benjamin Franklin was a great intellectual. But he was also a worker in the Community. What such men lacked in sparkle and perhaps in the volume of their words—they made up for in a certain earthiness, and a sense of reality which gave their American concepts the buoyancy and vitality reflected in our country's phenomenal development.

But with the growth of our country and the division of labor there grew up in our midst a surprisingly isolated group of minds whose daily occupation was solely to think and to project their thoughts into the minds of our people. The radio added great new force to the impact of this development and, incidentally, vastly increased the profitableness in being a professional intellectual—day by day.

Much merit comes from all this in the form of public education. But when our society produces an increasingly large number of propagandists, along with satirists and clever word twisters, **the real values of America are under attack.**

Their intelligence, their shrewdness, their quickness and their competence then are no service to us. As many of them speak, write and plan, they draw our thoughts further and further away from the self-faith that should be enhanced by our great and costly victories and—among other things—closer to the false assumption that the government can and must be our keeper.

The idea that the people can be maintained by their government whirls around the great modern illusion that the free field of human endeavor can be destroyed while political democracy is preserved.

The modern democratic state has been associated with the free field of endeavor and with that only.

This relationship is not a coincidence. The inter-independence of economic and political liberty is organic.

The grim lesson of our times is that the greatest thief of individual freedom and national security is economic abuse, accompanied by the powerful combination of political brains and the public money.

The hobby of the state socialists is power. Their interest is in what Rousseau called "the love of governing." Yet the repudiation of the "love of governing" remains today as concise an aim as may be expressed by our latest and most dreadful war. When we said this was a war for liberty, a War of Liberation, this must be what we meant. It could not have been otherwise and still have been a fight for freedom.

When, in time, most people lean on the Government, all the people have lost their freedom. The opportunity is gone to lean on one's self. Yet if the principle of self-faith is not a fallacy, then it must be a virtue, and a source of inexhaustible spiritual life and national advancement. The collectivist concept strikes at the heart of this self-faith and destroys the free field of human endeavor. In doing so it repudiates the Gospel's fundamental concept: the individuality of each man.

The postulate of all collectivists is that collectivism is "inevitable" in the modern industrial world. "Inevitable" "Inevitableness," "Inevitability" are the words high in their minds and quick on their tongues. They imply that today's economic evolution moves inexorably towards a collectivist goal of state-maintained employment, socialized medicine, fixed wages and prices, and daily control of the individual's life.

They say that industrial advancement gravitates towards collectivism as inexorably as a falling body moves towards the earth. They say that against this gravitation no long-term effort towards the preservation of the free field of endeavor can prevail. There is something childish, they imply, about a struggle against this inevitable. Like imploring the law of gravity to suspend its action, it is grotesque prayer. They insist that collectivism is the predestined and permanent condition of industrial mankind. They would make us believe that collectivism must be the **ultimate social order.**

Well, this is resounding chatter, calculated to send shivers along spines. But it is a piece of unwarranted dogmatizing when applied to the United States.

By propagating an unprovable assumption of their own and then repeating again and again that it must happen in America, collectivists exercise their influence while the record remains solidly against them. "Why not?", ask such voices on radio forums, in Congress and in the parlor. And the unsteady listeners reply, "Yes, I suppose a great swing to state socialism is inevitable. Let us hope it may not be too severe." Accordingly the unsteady one is more than half won already.

Yet collectivists cannot even prove that societies which have fallen into collectviism, stay put and remain collectivist. Someone proclaimed over 2,000 years ago that the only permanent thing in the world is **change** itself. The collectivist idea of an **ultimate** social order is as weak as straw, an illusion, and a dull one at that.

The effort to escape from the control of the State has always been the badge of Liberalism. The effort to enforce State control has always been Reactionary. It was the denial of the rights of individual life that prompted Nero to persecute the early dissenters and Constantine to connive against the liberal forces and submerge them within the Empire.

The Reactionary practice always has resulted in maintaining a government-controlled government machine. Instead of trying with might and main to diminish the power of the State over man, the loudest pleaders for the Common Man increase the power of the governmental machine. This is the historic infringement on Liberalism, done often under the Liberal label, for practical political purposes.

The amount of control varies widely in history. So does the nature of the control and so do the personalities. But the **idea** of control itself does not vary. And the **idea** of control remains today the permanent basis of Reactionary thought.

Glowing references to the so-called Common Man often obscure this point, sometimes on purpose and sometimes not. But in either case, the phrase—The Common Man—frequently is related to **herd** planning, **herd** solutions, **herd** panaceas. By and large the men who speak most often of the Common Man, as though the mass was significant and the individual was not, are **herd** minded. This carries with it the **idea** of control and that is where liberal sounding words and phrases get profoundly mixed and become, wittingly or unwittingly, Reactionary.

When Democracy inherited power it inherited certain weaknesses in resisting super-power, because its purpose was to see that it was not super-power of itself. That is why it is the duty of Liberalism and of every true liberal, to help men restrain the shafts of power that infringe on the democratic concept, from whatever direction the shafts appear. Power rotates. The concentration varies. Sometimes it is Big Business, another time in Big Labor, another time in Big Intellect, Big Public Money, or Big Government Jobs. But whenever and wherever found it is the task and high privilege of every true Liberal to oppose it in the interest of man's freedom from the governing **idea.**

In America, the **herd** concept, the collectivist idea, overlooks the fact that no association ever entered into by man built up so great a nation as the association established by our forefathers, and that no system of Government "planning" ever has envisioned or accomplished such benefits for so many people as those which have accrued from the ideas and achievements of the individual man and woman of America.

It overlooks the fact that the true American spirit, self-reliant, cooperative, consecrated, can urge us forward to new heights of progress without diluting the proper governmental controls against abuse of the public good or nullifying governmental participation in many affairs which only the people as a whole can support through taxation, and yet without sacrificing the principles of individual freedom which made us a great nation.

The broad stretches of our marvelous land are illuminated by hundreds of thousands of men from all communities who have done as much on their scale as Mr. Ford has on his, and who are as justly proud of their store, farm, machine shop, taxi-stand or occupation, their sales record, production record or invention as Mr. Ford is of River Rouge. For American citizens who earn something and save a little have the same feeling of pride in their small property as another workman has to his large property.

This American attitude, applied from our villages to our skyscrapers, has been one of the most profound influences in the progress of the nation. There is no more mistaken and mischievous belief fostered by collectivists and other such advocates of "industrial age economics" than that the average American's envy or lack of envy is in proportion to his income and the size of his property. The thoughts and aspirations which have vitalized America have been based on the freedom of each man's opportunity, not on the uniformity of his results.

(Continued on page 2772)

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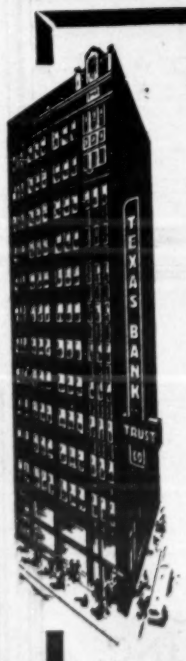

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Collectivism on the American Scene

(Continued from page 2771)

Our forefathers braved the dangers and risks of a strange land with its wide horizons to make their lives here in a way that was then and remained for the millions of other immigrants who followed, new in all the world.

The unlimited opportunity to rise, and to rise young, has always acted as a perpetual stimulus to American youth and spurred them to master some calling or career. It is our duty—the duty of all of us—to see that this is more true than ever in behalf of our young men in the fighting forces as they come home.

The American Way of life is a moving thing. Collectivist defeatism notwithstanding, no observation of American life is correct and no prediction with regard to our future is justified that proceeds on the assumption that there are in America fixed and stable classes.

By continual levelling, society becomes everything and man nothing. The state becomes powerful, the individual weak. As the floors of valleys are raised by the denudation and washing down of the mountains, what is average rises at the expense of what is great. The statistician registers the heart-beats and muscles and forgets the hopes and the prayers. The governmentalists show "advances" and the moral concepts show declines: on one hand an "advance" of systemization, on the other a decline of souls. The spleen becmoes the malady of a levelling age, as the material suppresses the spiritual forces of life. Is this the fate reserved for our Republic? Is this the reward for our tremendous victory, the final recompense promised to the labors of our race? The individual creative force which in the beginning tended to inspire others by its hard-earned differences, will not retrace its steps and obliterate them one by one. And stern equality, which in the dawn of existence is mere inertia, torpor and death, must not become at last the natural form of American life. The ideal of humanity and the nature of America are something different and higher.

The question we are faced with is whether our American society has been blessed or cursed by the vast wartime expansions within our nation, and, pushing aside the siren songs of collectivists, we can stand on our own feet and make the grade. **We are not a land of peasants suddenly emerging into an industrial age. We are not a rock-bound island.**

Since our earliest days the dislocation of labor by machinery has been as constant in America as the tides are in the seas.

The history of the United States under modern technology is too full of advances to document the assertion that we must march with any European countries toward a common collectivist destiny.

For over a hundred years we have been solving the puzzle of replacing the workers who have lost their jobs to robot substitutes, and at the same time insuring the man of humble beginnings his right to win and hold a place in the sun without regard to any political affiliation whatever. That has been happening in America ever since the first scythe reduced the number of harvest hands who had hitherto gathered our wheat by hand.

America at every stage, has successfully met this problem by providing more remunerative and less onerous tasks in place of the work which was eliminated. This is the essence of human progress. We have led the world in such progress and we can do so again now.

Our progress has consisted of the pursuit of the impossible. There are no really America-spirited people among the prophets of the "inevitableness" of collectivism here. They are plagiarists, repeating tired or shrewd phrases from the minds of men whose outlook on life is as different from ours as the North Pole is from the South. Marx and Lenin cannot pontificate for the American soul.

Special thinkers or state socialists may take our freedom from us, doing so in our own name, but this does not have to be the case.

The facts which we should remember are these: We are a nation abounding in natural energy. Ours is a country of breathtaking resources. Who could look at our record in this war and not see that? Our men and women are trustworthy and valiant. Our churches are sound and free. The country's heart is in the right place. Our Americans of special talent are second to none. Our engineers and scientists, medical men, educators, artists and agriculturists can prepare a standard of living for Americans undreamed of in any other country or age.

We have followed in America the philosophy that the most important thing in a nation's life is the individual heart, soul and personality—with its capacity for development. Here the individual is not only protected by a system of jurisprudence against wrongs by his fellowmen but protected against the government as well. The constitution was adopted not alone as a structure of government but as a bulwark against power and superimposed authority. That protection runs against governmental power, religious power, economic power, powers of the classes as well as the masses. The public interest is the paramount interest and public interest is but an interpretation of our individual interest and when a group or segment of our population becomes so powerful as to disregard and override the public interest, it is the duty of government to intervene. These things seem so fundamental as to be almost primary, but never has our government more needed to adjust the governmental compass to the pole star of individual human freedom than it does today. In this way we can deprive the collectivists of their chance.

We have at our doorstep the genius and vision and the materials to build the greatest civilization that the human mind can conceive. To lack faith in such a future is deliberately to deny our own strength. It is to be a traitor to the courage and confidence of our fathers who hewed their own roads and built with their own hands. It is to be ungrateful for the gifts that have been showered upon us and the rights that American heroes have so dearly won.

The destiny of our country remains within our people. The future holds no challenge that we cannot meet in a truly American way.

Atomic Energy and Free Enterprise

(Continued from page 2699)

tory of mankind. They have given us the chance to find the secret of freedom.

But the will to use the chance before us is the pre-condition of discovering the secret—we have to make great decisions. We have to make them on the understanding that the life and death of our civilization hangs upon the wisdom of our choice—boundaries, frontiers, tariffs, the ignoble imagination which associates the greatness of a state with the neutral massiveness of its power—all these seem mean and petty issues upon which to dispute before the central issue to be decided. Three men hurriedly improvising a formula in a room screened from the public view cannot be accepted by any of us as having the title to decide our fate. Not even a commission of eminent specialists acting under the authority of the United Nations Organization can have that title. It is for the common people in every land to share in the shaping of their own destiny—if we proceed from any other premise than this, the victory is thrown away because the cause for which it has been fought is lost.

What follows from this premise? First, there can be no secrecy; if the common people are to decide, the full materials for decision must be made known. Second there must be no blackmail of the scientist into an enforced silence; those who seek to break the international community of scientists and men of learning prostitute knowledge to the service of power. Thirdly, in the exploration of this new realm of awe-inspiring possibility, the claim of private interest to own or control materials or processes would be to impose new chains of servitude upon mankind. Adam Smith's "simple system of natural liberty," now, as I gather, in special repute in the United States, is, in this realm, the direct road to serfdom. We know the evil and the pain which were the price of the first and minor industrial revolution. No one can be forgiven who permits its repetition on a far greater scale by making the second and major industrial revolution a means to a deeper division of society into the few who know all the gain of living, and the many who know nothing but its toil. Let us say explicitly what needs to be said: Every implication of this discovery means planned internationalism, economic, social, political. It is an international discovery. The planning of its application has been international. The organization of its future use must be international also.

There is no nation-state fit to be trusted with the development of atomic energy. There is no private interest working for profit to whom its future could be safely confided. Were this new realm to be controlled by generals or admirals, business men or professional administrators, it would become a kingdom of despair and not of hope. If anyone here tells me that the world is not ready for the international democratic government the discovery implies, there are at least two answers of final import. Who is responsible for that unreadyness if not the little, grasping plutocracy which has for so long made their private gain the chief end of human effort? From Amos and Hosea, through Rousseau and Jefferson, through Ruskin and Marx, through Morris and Tolstoy, that has been the single verdict of the prophet. Who is prepared to believe that this same little grasping plutocracy will undergo now a swift change of heart? The evidence is grimly unmistakable that they pay to mankind no other homage than the promises they make in times of crisis which they withdraw when the moment of danger is past.

I know of nothing so decisive as a judgment upon the men whose invisible empires have so largely shaped national policies that we should stand in terror before a discovery of which the peaceful development promises a future of abundance to mankind. We all think of it as a weapon of death. Already every nation prepares, through its government, to equip itself with the power to hurl death upon its fellow nations. No people seeks that power; it is governments that seek it. They seek it because we live under a system under which the many are exploited by the few, and war is the ultimate sanction of that exploitation. War is the outcome of the exercise by governments of unlimited sovereignty. Unlimited sovereignty is essential to the preservation of those legal relations which subdue all human behavior to their service. We shall get rid of war as we get rid of those legal relations and the evil power politics they involve. We shall not get rid of it on any other terms.

The League of Nations failed because there was lacking the will to make it work. The Kellogg Pact failed because, there too, that will was lacking. We have seen governments watch with indifference the destruction of freedom in country after country because they were unwilling to pay the price the social process exacts to preserve freedom: I am not proud of the British record in the evil years of appeasement; I have a deep sense of guilt when I see the tragic spectacle of Spain. I do not think the ordinary citizen of Great Britain thought that the war was being fought to return, under any pretext, the Indonesian peoples to the sovereignty of Holland, or to organize the conditions upon which an evil social system shall be imposed in the name of law and order upon the peoples of Southeastern Europe — peoples who for the first time since the break-up of the Roman Empire see the faint dawn of hope. And let me add for myself that I accept as the acid test of the bonafides of the Labor Government of Great Britain that it shall not merely declare its desire to see a free and self-governing India, but it shall organize the conditions necessary to the fulfillment of its desire without the dispiriting desire ever to delay and to postpone an outcome so clearly inevitable.

If we want freedom, we must have peace. If we are to have peace, it is not enough to will its advent on the formal plane of empty desire. We must organize the conditions which make it the interest of nation-states to make the outlawry of war outside the frame of reference within which human impulses operate. That means that sovereignty must go; that means, also, that the interests which sovereignty protects must be recognized as outmoded in character and dangerous in op-

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Gamwell & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announce that Major William W. Gamwell, U.S.M.C.R., and Lieutenant Commander Ralph C. Draper, U.S.N.R., have returned from service overseas and resumed their partnership in the firm.

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eration. Just as the feudal system had to go, so the system by which the business man has made the commonwealth an unhappy dependency of the market economy has outlived its usefulness. It is clear to any honest observer that a society dominated by business men could not be trusted to create the mental climate in which the development of atomic energy would be confined within the framework of peace. They would not give the common people the education because they fear its outcome. It is the business man who has split our society into two, the political society and the economic society. They have made the policeman the sanction of the first and the threat of starvation the threat of the second. There is only one country in the world today where this dichotomy has been transcended. There is only one country, also, where science and technology can be developed without sacrificing the education of man and fearing the breakdown of social well-being or community consciousness. It is significant that only in the new world of Russia has the business man ceased to count. It is also significant that one of the major pre-occupations of the great vested interests is now to keep the "secret"—which is no secret—from the knowledge of Russia. You know the result—a halt to confidence and the rise of ugly suspicion about the imminent chances of a third world war.

The first condition of peace is to subordinate a market economy to the claims of peace. It would be a bold step to take; the alternative is to permit the business man to fix the criteria by which the future of atomic discovery is determined. To do that in an age of political democracy is to force the contradiction between a society depending upon the elevation of human dignity, and a society depending upon human peonage to develop to the point of conflict. The one searches for new standards of behavior, for a new education, therefore, for an ethics of life and not an ethics of death. The other needs that "beneficent private war," the law of the economic jungle which is afraid of the democratization of knowledge, anxious for an ethics of death, eager to make leisure cheap and trivial instead of full and creative. It is not accident that our schools and colleges, our universities and foundations, even the churches, are the instruments of Big Business. It is not accident that the press is now a branch of Big Business too. It would be madness to let the purposes or the methods of private enterprise set the habits of the age of atomic energy. For these habits would then, like the habits imposed by the men, who, after 1789 made this world the habits of the new world too.

We have come to the boundaries of the final dividing line between liberalism and socialism. We are choosing between institutions which assume that freedom must be won by the few and institutions which assume that they must be planned by the many. We must either have power in the hands of men who use scarcity as the means of compulsion or we must give it to men who find abundance as the instrument of freedom. There is no middle way. Free enterprise and the market economy mean war; socialism and planned economy means peace. All attempts to find a compromise are a Satanic illusion. We must plan our civilization or we must perish.

I accept the need for the United Nations Organization in the first instance to begin the task before us. But I accept it on conditions. No secrecy; no invasion of the internationalism and the public integrity which are the glory of science and learning; no subordination of the scientist to that "practical man" who thinks it is wisdom to have habit without philosophy. Let the new institution for intellectual advance be given the chance forthwith to show that Plato was right when he said that the Minister of Education must be more important than the Minister of War. Let us show by a New Deal on a scale for wider and far more profound even than Franklin Roosevelt's New Deal that poverty is a curse of man's making even if he had the insolence to affirm its necessity by making it the outcome of God's plan for the universe. We in Britain have no more right to be content with the slum house and the slum mine than you in the United States have the right to evade the fact that you have acquiesced for 80 years in degrading 12,000,000 negroes by force and fraud and fear. This is not the time to rest content with a temporary plaster upon such deep and open wounds. This is the time to begin a new civilization, based on the freedom which comes when men have a map of the complex universe in which we live, have the assurance of security and are no longer driven to work by the fear of starvation or the apathetic routine of endless poverty. Today we are in prisons where we have the key to freedom. When are we going to open the doors?

Do not think for one moment that I think our task an easy one. But let us honestly face what the task is. We are societies haunted by fear and insecurity because we have made death the sanction of life and left its operation as a sanction to men who exploited its terrors to keep the many poor and ignorant and deceived. Now we know that we have reached the point where if they continue in power their demands will impose the law of the jungle upon us all; they sit there, believe me, in the dark at Nurenburg; when we indict men of their kind, we indict the same types in every society where democracy is not the participation in the processes of government by free citizens who live by the sanction of life because they have recognized necessary limitations and are thus free from fear. Nazism in all its forms is the culmination of a society built upon the anarchy of free enterprise; when it subjects man to the economy of the market, it destroys his right to be man. That is why we must alter the central principle of our civilization to plan production for community consumption. From that central principle alone do there flow the ethical values which can renovate and refresh this dying civilization. Without it we shall have done no more than make a supreme discovery in the art of social destruction. With it we can make a supreme application of a new power to the art of social creation.

We are before a revolution more mighty even than the vast change which came with the reorientation of men's minds effected by the scientific discoveries of Copernicus and Kepler. These required a new society and a new culture. They were acquired, but they were acquired by the degradation of the mass of mankind. Now we too require a new society and a new culture, this time a democratic culture in a free society. That prospect arouses fear and distrust in that middle class whose triumph was slowly achieved in the 300 years after 1600. Now they want to arrest the dynamic of history at the point where their triumph is crumbling into decay. They cannot succeed and they ought not to succeed. Their day is over. Their thought is bankrupt, their ethical values are obsolete, their dogmas an angry anachronism. A new social philosophy is necesary for a new world. Let us admit that it can be born only of a new social order.

Do you ask why? In the deep tempest of the Civil War Lincoln gave the answer: 'The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise with the occasion. As our case is new, so we must think anew and act anew. We must disenthrall ourselves." **We must disenthrall ourselves;** I venture to repeat these words. In no other fashion can we face this challenge with the proud confidence of free men.

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MILWAUKEE, WISC. — Loewi and Co., 225 East Mason Street, members of the Chicago Stock Exchange, announces that Lester B. McElhiney has joined their organization, effective December 1. Mr. McElhiney has long been identified with the securities business, and has been a vice-president of The Milwaukee Company for the past several years.

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Reynolds & Co., 120 Broadway, New York City, members New York Stock Exchange, announces that Wadsworth C. Dunn is now associated with them in charge of their Research Department.

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American Economic Stability

(Continued from page 2713)

I am a magna cum laude graduate with a doctor's degree in the sciences of bankruptcy and political discontent. I experienecd these catastrophes as chief executive of North Carolina from 1929 to 1933 when they were marshaled against all governments. Former President Herbert Hoover and I entered and graduated and terminated at the same time, and both of us are well qualified to talk for the remainder of our lives on the subject of economic instability in America during a depression. That was one political agony no one in office at the time will ever quite forget.

The only time except tonight that I ever seriously attempted to raise the veil of our economic future and indulge in economic prognosis occurred on July 22, 1932, when as Governor of North Carolina I wrote a letter to the then Governor of the State of New York in which I used this unmistakable language:

"Public opinion is in a state of flux. There are in it currents of thought moving swiftly and with power, sweeping people and lives before them. New and sudden trends are daily felt. It is a mistake to say that these currents of thought are wholly the creatures of demagogues. Demagogues do not create movements. They merely ride upon them. We are more than blind if we think the American people will stand hitched to the status quo."

This prediction was made, as you know, in the darkest hours of the depression. I was suffering from mental, financial and political anguish. I am perfectly willing to leave it to you, in the light of what has happened during the last 13 years, as to whether or not I was guilty of overstatement when, as a minor prophet, I caught a glimpse of the New Deal before the New Deal caught a glimpse of you or me.

As Chairman of the Advisory Board on Reconversion, I have tried to locate the fundamental reasons for our economic and social discontent during the period of physical and mental reconversion. I am sure all of us can agree on one point—that the dislocation of the war is the basic cause of our present disunity. Today the air is filled with criticism and complaint. People who walked together in harmony only a few weeks ago are today openly finding fault with one another. Management and labor which worked together so efficiently in producing weapons for war are now in hostile camps. Why have we become so distrustful of each other? Where is the unity which we had as a nation? What has happened to our Allies? Where are the bonds and ties that were the basis of our great victory?

Since I am to speak to you upon the subject of "American Economic Stability," I think it proper for me to discuss some of the ingredients of discontent that divide and confuse as we move from war to peace. How much of the present upheaval is superficial or natural and incident to transition? How much is ominous and dark and of serious import?

I think it perfectly natural for us to experience instability as we enter the post-war period. The sudden termination of total war—the most destructive in all history—is bound to bring serious shock to the economic and social system of the nation. The days through which we have recently passed will mark the watershed of history.

Our vast and unlimited expenditures for munitions have suddenly stopped. Of course this is right and proper. The peacetime way of spending public money differs radically from wartime. Two billion dollars were spent in producing the atomic bomb. All of this was done in secret. Congress was not consulted. In time of war, such a method is defensible, but in time of peace, every dollar of Federal funds must be subjected to the white light of publicity, and to close public scrutiny, and surely in times of peace we should constructively strive for a balanced budget. I realize that, by reason of national necessity, it will be 1948 before we can hope for a balanced budget.

With the end of the war, we are throwing off the stupor and regimentation and beginning to think for ourselves. We no longer have a chief of staff to tell us what to do and not to do. There is no use denying the fact that war is impatient and even inconsistent with the democratic process. Democracy means that others than the general staff must be consulted. It means that the rank and file of the citizenship are to have a part, either directly or indirectly, in great decisions. We are unlimbering the mental muscles that have been cramped and crowded. We are having full and free discussion of issues again, and only in this way can we justify the great cause for which we fought.

I believe you will agree with me that it would be tragic, both for our nation and for the world, if in this her greatest hour America should, through dissension and bitterness, fail to resolve her differences.

I have confidence tonight that we will resolve our differences in the light of our traditions—our traditions of restraint, moderation and tolerance. A wise friend of mine once told me that "The denial of a present satisfaction in order to achieve a future goal is the basis of all economic progress."

We are great in America for what we have accumulated and for what we possess, both in wealth and power. We are still greater for the things we have refused to seize and selfishly appropriate for ourselves. If it were not for the confidence of the little men and the little nations of this earth in the integrity of the good intentions of America today, I do not believe there would be any hope for world stability or world order.

What is this spirit of moderation so necessary to the survival of a democracy? How is it cultivated? How is it to be preserved? How is it sometimes lost? From the pen of your eloquent and wise Judge Learned Hand, we have the following:

". . . a society so riven that the spirit of moderation is gone, no court *can* save; a society where that spirit flourishes, no court *need* save. . . What is the spirit of moderation? It is the temper which does not press a partisan advantage to its bitter end, which can understand and will respect the other side, which feels a unity between all citizens . . . which recognizes their common fate and their common aspirations—in a word, which has faith in the sacredness of the individual."

If the leaders of the jurisdictional fights within labor, and the stubborn individualists in management, and all leaders of labor and management were compelled to memorize these masterful words of moderation from Judge Hand and then reconcile their differences in the common good, what a blessing it would be to the public welfare and to our economic stability.

What is the grave apprehension haunting our present unrest and threatened instability? What are the words on the lips and in the minds of every thoughtful citizen? What constitutes the real basis of disputes between management and labor, of the quarrel over prices and wages? The answers to all these questions are found in two great fears—inflation and deflation.

As Chairman of the Advisory Board, I recently said to President Truman that I thought a good job had been done in keeping inflation under reasonable control, but that I thought the best hour for America since V-J Day would come when, in the national interest, all economic control fetters and binders could be removed without danger to our national life, and a free America be allowed to move forward into full production under the protective policy of a free competitive economy. Right here I would like to say that as long as controls are necessary we should strive to find a more expeditious method for wage-price adjustments and do away with current delays and cumbersome processes. I told Director Snyder that, while inflation was a devastating disease, I knew of only one evil more deadly than inflation, and that was the paralysis of deflation.

I believe, therefore, that if we are to have a stabilized economy in America we have got to chart a course that will avert inflation on the one hand, and at the same time move progressively forward towards the goal of a sound equilibrium, steadily rising under the impulse of full production. In order to do this, we have got to keep our eyes constantly on the value of the American dollar, which is today the soundest money in the world. There are two ways to make what we call money. One of these is the printing press, the other work. I am a disciple of the doctrine of work.

I believe that economic stability will be achieved when the entire population of this nation has the opportunity and willingness to work—to contribute to the welfare of the whole in a fair manner consistent with the fundamental resources, needs and greatness of the country. I emphasize *willingness* to work. I do not believe that we can attain or retain economic stability in America unless our people firmly resolve to rededicate themselves to the dignity of labor and to the national necessity for all of us who are able to work—actually to go to work. In other words, the only complete antidote to inflation or deflation is production and abundant supply, and this means only one thing—work—work for everybody.

It is rather amusing to me to find many people who think they are economically secure who are worried almost to despair about the abundance of money in the pockets of the average man today. Give us time, brother. All we have to do is to be patient with our present prosperity. It will work itself out. It always has. Our memories are short and with all of our educational advance no institution has yet been able to give a degree in common sense. Unfortunately we may rely upon the eventual improvidence of the average American. It may be difficult for the average American to spend five years' savings in one or two years, but the way we are going now we may be able to do it, as the demand of the American people for new and more products during the next few years will exceed anything the country has ever known. When production catches up with and probably exceeds consumption, the Economic Club will have to meet again.

We must remember that most of us work not for the sheer joy thereof but to make a living. When a bellboy in my hotel asked me the other day how much higher I thought duPont was going, I knew we were on the way.

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dreaded than economc instability, and that is economic profligacy, waste and riotous living. To my mind one of the worst things about the 1927-29 joy ride was that we all thought we were endowed with perpetual prosperity and many of us unwisely concluded that we would never have to work again—and please remember that most of these suckers were not people who earned their bread in the sweat of their face. One of them is talking to you and I see some familiar faces in this audience.

To attain economic stability we must, of course, be willing to work. But that in itself is not enough. There are other factors fundamental to the attainment of a stable society for which we must strive. We shall not find these factors by looking backward. The key to economic stability will not be found in the past. It is just 16 years since 1929; but in terms of social and economic progress it is a 100 years. The so-called "boom" of 1929 looks pitiful to us today. Then we had less than 100 billion dollars of production as compared with our wartime achievement of 200 billion. And because of the growth of our labor force and our productive efficiency a mere 1929 rate of production would leave nearly 20 million of our workers unemployed today—far more than the total we had out of work in the worst years of the depression.

It seems to me that this points to the essence of economic stability. Stability is not synonymous with security. We shall not achieve stability if we are permanently satisfied with our present standards. Society stagnates when it becomes smug and complacent. The key to stability is to set our sights ever higher to strive for higher and higher goals of production. If the motive power of America had not been to come up—come up higher and higher—most of us would not be here tonight.

Many people think of stability as the elimination of boom and depression, of inflation and deflation, of prosperity and poverty—as the elimination of extremes of any kind. Stability is all of these things but it is something more. To achieve stability we must reconcile ourselves to temporary instability and controversy as society struggles painfully with new ideas, new methods and new conditions. If we do otherwise, we will achieve neither stability, nor the will of the wisp of security.

This concept of stability is not static. It is dynamic. But the very essence of a dynamic stability is that it cannot be achieved by a policy of drift. We have either got to advance or recede. We cannot stand still. I hardly need say that I believe in the American free enterprise system. I do not believe that the best interests or the stability of the nation are served by regimentation in peacetime. But a system of free enterprise does not mean that the government assumes a role of impotence. Planning by government need not be regimentation. It seems to me that planning is just the common-sense approach to a constructive post-war economy. Every well managed business has a general staff. Business-like operations of the government demand the same approach. Our task is simplified and our chances of success are increased by the best planning we can provide. I mean planning by the government to create a pattern of government and enterprise relationship in which individual industries, individual companies and individuals will have a feeling of confidence and stability in making their own plans for their own operations. In this direction lies American economic stability.

I have not yet fully explored what seems to me the most crucial factor in our struggle to achieve economic stability. Production and planning will not suffice. In the long run, stability depends in large part upon our state of mind. I mean that there can be no real stability unless we are receptive to change. I repeat, we cannot be stable if we remain static. Change is the law of life. That society will be the most stable that finds a way to maintain its equilibrium in a changing world. Progress is the residuum of a multitude of takes. Only through error do men or nations come to know the truth. The progress and stability of a country may be measured by those things once matters of debate which are now accepted as a matter of course.

Those governments that have had the greatest economic stability have been those that have found a way to adjust to changing conditions. Those governments that have been unable to adjust have often been swept away when they thought they were absolutely secure. As the old philosopher says: "Just about the time they think they have the world by the tail, the tail pulls off."

Yes, if our minds and our hearts are open to change, we can achieve stability — both economic and political. For you all know that we can have no economic stability without political stability and no political stability without economic stability. We make a grave mistake if we think we can have economic stability in America with all the rest of the world in turmoil and ruin. I believe that the roots of our economic system will wither and die unless they are firmly planted in the fertile soil of world trade.

The building of a stable world peace upon the ashes and ruins of this war will require all the capacity, patience and restraint of which the human race is capable. Whether we like it or not, just remember that the stability of this nation and the whole world depends upon the slender thread of negotiation and renegotiation now being carried on by the representatives of the three great nations of the earth. Here is the ark of the covenant of stability.

And finally, my friends, if we could explore the mind of the average American citizen today, I believe we would find lying side by side two important desires. One is the wish that a world order may be established to prevent war. The other is the natural desire for a job that will bring with it individual well-being and stability to himself and his family.

The two ideas are really different approaches to the same problem. The untutored thinking of the common man has stumbled upon and laid bare the core of the problem facing this nation and the world. The common man, knowing little and caring less about fine-spun theories of sovereignty, international law and economic stability, shows an intuitive understanding of world problems when he ties up in one bundle the desire for his daily bread and a chance for world peace. It may well be that we cannot long have our daily bread without world peace, and I am equally doubtful that we can long have world stability without our daily bread.

Our Reporter's Report

The investment market appears definitely to be moving into a new phase of the current long cycle. It now seems assured that, in numbers at least, equity offerings are slated to far outrun new issues of bonds and other evidences of corporate indebtedness in the period immediately following the close of the Victory Bond Drive next Saturday.

There is no gainsaying the fact that the basic money market has reached the bottom of its long decline. And Secretary of the Treasury Vinson, speaking recently before the Investment Bankers Assn. in Chicago, declared it the policy of the federal government to keep rates low.

Accordingly it does not appear likely, unless something now unforeseen happens, that investors will be able to hope for any early increase in the yield on high-grade bonds. Meanwhile lesser grades have adjusted themselves to the general picture and the supply of the more desirable descriptions has been whittled down to the vanishing point.

Investors, moreover, have been forced into the position of foregoing some degree of secruity and accepting a certain amount of risk in order to obtain a more substantial return on their funds. As a matter of fact this has been made necessary if the money is to be put to work at all, as witness the relentless demand for seasoned stocks.

One of several lists of prospective new issues ahead gives some idea of the shifting of the trend away from bonds and in the direction of equities. It shows a total of twenty-six prospective preferred and common stocks on schedule contrasted with only nine new bond or debenture issues.

Some of the Big Ones

The list of prospective new stock issues is studded with substantial undertakings. The largest, perhaps, is Buffalo, Niagara Electric Corp.'s projected 350,000 shares of $100 par prefered on which the company has fixed terms for bidding.

Next is the block of 847,000 shares of American Gas & Electric common which Electric Bond & Share will sell in competitive bidding, followed by a negotiated deal involving 700,000 shares of Alleghany Corp. common. In point of money involved, Aviation Corp.'s sale of 200,000 shares of American Airlines common stands out.

Two other big equity deals are those which involve 479,000 shares of American Potash & Chemical common being sold by the Alien Property Custodian and 256,000 common shares of Bates Manufacturing which will be offered first to old stockholders.

New Bond Issues

Largest of the prospective new debt issues is the $75,000,000 of Pacific Telephone & Telegraph Co. 2¾% debentures due 1985, up for bids next Monday in consequence of the refusal of the California Railroad Board to allow direct sale to a group of insurance companies.

The following day Buffalo, Niagara Electric is slated to open bids for its issue of $56,900,000 of new first mortgage bonds, due 1975, while on Wednesday, Chicago, Burlington & Quincy will dispose of $50,000,000 new mortgage bonds in open bidding.

Meanwhile National Dairy Products, by negotiation with a group headed by Goldman Sachs & Co. and Lehman Brothers, is scheduled to market on Tuesday $50,000,000 of 2¾% 25-year debentures. And indications point to a quick sale.

On the same day Illinois Terminal Railroad Co. through its bankers, will offer $13,500,000 of 4% mortgage bonds, due 1970 plus 150,000 shares of common stock expected to be priced between 10 and 11.

RFC Calls a Loan

The Reconstruction Finance Corp. is evidently determined to get its hat back in instances where railroads which obtained loans from it are now in a position to repay the money.

The federal agency has requested the Missouri Pacific Railroad trustee to repay advances made by it which totaled $23,134,800 at the end of 1944.

With interest payments, the total due would run around $25,500,000 after crediting interest which the road has paid in the interval. The trustee said that the request is under consideration but that thus far no decision has been reached.

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Outlook for Investment Business in Canada

(Continued from page 2718)

population of about 12,000,000 has financed approximately 50% of total cash requirements for war and other purposes through taxation, and the remainder through borrowing.

Canadian War Loans

The financing pattern which proved so successful in World War I was adopted again in this war, after two moderate War Loans aggregating $500,000,000 cash had been sold in the ordinary way. With the First Victory Loan in 1941, Victory Loan organization was again instituted. Results of the two War and nine Victory Loans are summarized below:

	General Canvass & Payroll	Special Names	Total Cash Sales	No. of Applications
War Loans—				
Date of Issue:	(In Millions of Dollars)			
1st—Feb. 1, 1940	$132.0	$68.0	$200.0	178,363
2nd—Oct. 1, 1940	113.0	187.0	300.0	150,390
Victory Loans—				
1st—June 15, 1941	279.5	450.9	730.4	968,259
2nd—Mar. 1, 1942	335.6	507.5	843.1	1,681,267
3rd—Nov. 1, 1942	374.6	616.8	991.0	2,032,154
4th—May 1, 1943	529.5	779.2	1,308.7	2,668,420
5th—Nov. 1, 1943	599.7	775.3	1,375.0	3,033,051
6th—May 1, 1944	641.5	763.5	1,405.0	3,077,123
7th—Nov. 1, 1944	762.2	750.2	1,512.4	3,327,315
8th—May 1, 1945	833.3	732.6	1,568.9	3,178,275
9th—Nov. 1, 1945 (est.)	1,200.0	800.0	2,000.0	*2,900,000

*Returns incomplete.

Widespread ownership of Victory Bonds provides a unique and broad basis for the stimulation of investment amongst the Canadian public. Many citizens, through purchasing Victory Bonds, have discovered for the first time that investment of savings is a sound and profitable practice. Regular income return and ready marketability are factors which soon asquire concrete value to those who have invested in Victory Bonds.

The trend towards lower interest rates has persisted throughout the war years. At Nov. 30, 1945, in the Dominion of Canada market new Ninth Victory Loan 1¾% 5-year bonds were selling on a 1.71% basis, and the new Ninth Victory Loan 3% bonds, due 1961-66, were selling on a 2.97% yield basis.

The Canadian Government Debt

All cash borrowing during this war has been carried on in the domestic market. Between Sept. 1, 1939 and Nov. 30, 1945, the Dominion Government's total cash borrowing approximated $15,000,000,000.

Between Sept. 1, 1939 and Nov. 30, 1945, the Dominion Government's outstanding direct debt increased by approximately $13,400,000,000, or $1,100 per capita of the population. Against this increase, active assets of the Dominion Government have increased by an amount in the neighborhood of $4,000,000,000, so that the net direct debt is about $9,500,000,000 higher than at September, 1939.

Through domestic borrowing for all new money requirements, through repatriation of bonds formerly payable in sterling and through cash redemptions of issues payable in U. S. funds, over 98% of the total outstanding direct debt is now payable in Canadian funds.

Furthermore, the guaranteed debt of the Dominion, consisting chiefly of securities of the Canadian National Railways, has been reduced from $1,084,500,000 to approximately $606,000,000.

Distribution of Direct Debt

Currency in Which Payable	As at Sept. 1, 1939 Outstanding	% of Total	As at Nov. 30, 1945 (est.) Outstanding	% of Total
Canadian funds	$2,557,900,000	74.5	$16,561,000,000	98.2
United States funds	469,000,000	13.7	*293,000,000	1.7
Sterling	406,200,000	11.8	12,000,000	0.1
	$3,433,100,000	100.0	$16,866,000,000	100.0

*Three issues payable in United States, totalling $115,000,000, have been called for redemption in mid-January, 1946; outstanding direct debt payable in U. S. funds will then be further reduced to $178,000,000.

Canada Now Independent of Foreign Capital

Canada is no longer dependent upon the import of capital to finance development, but she is proud of the confidence which continued foreign investment reflects. With flow of capital from many countries where unstable economic and political conditions prevail, it seems highly probable that large amounts of outside capital will continue to flow into the Dominion, where investment opportunities abound and credit stands high.

Substantial progress marked all phases of production during the war years, as indicated by the following figures:

	1939	1944
Gross Value of Production:		
Agriculture	$900,384,000	$1,874,000,000
Forestry	466,032,290	936,000,000
Fisheries	52,883,913	133,000,000
Trapping	7,919,412	23,404,000
Mining	633,342,316	893,000,000
Electric power	151,880,969	201,545,000
Construction	373,203,680	407,000,000
Custom and repair	160,374,000	226,725,000
Manufacture (excl. duplication)	2,854,455,662	7,566,716,000
Grand total	$5,630,476,742	$12,261,390,000
Trade (excl. gold)—		
Domestic exports	$924,900,000	$3,440,000,000
Re-exports	11,000,000	43,100,000
Imports	751,100,000	1,758,900,000
Total trade	1,687,000,000	5,242,000,000
Favorable balance of trade	184,900,000	1,724,200,000
Net exports of non-monetary gold	184,400,000	109,700,000
Electric power installed, end of year (horsepower)	8,289,000	10,283,000

With this background, the outlook for investment in Canada can be more clearly appraised.

First: Canadian industrial companies are in stronger financial position than they have been for many years. Many companies have taken advantage of prevailing low interest rates to refund their outstanding bonds into issues carrying lower coupon rates. Financial resources have been conserved to replace and modernize plant, machinery and equipment for reconversion and postwar requirements of peacetime manufacture.

Through war production, Canadian industries have acquired experience, skill, efficiency and greatly improved equipment to handle new manufacturing processes.

Second: The Canadian people have become more aware of their ability to produce, to export and to finance development through investment. For example, public loans are recognized as a sound basis to finance large-scale export trade with war-torn countries which would normally provide profitable markets for Canadian produce.

Third: Extensive development of tourist trade is a logical channel for Canadian investment. The country's healthful climate, lakes, mountains, woods and scenic beauty encourage travel, recreation and sports of all kinds. This development envisages construction of roads, improvement in transportation and accommodation facilities, food services and other tourist conveniences.

Fourth: The country's population of about 12,000,000 can be greatly increased through immigration as well as through natural increase. Pronounced population growth would encourage investment in domestic consumer goods industries on a broadened scale.

Fifth: Canada's known mineral wealth in gold, base metals, coal, petroleum, iron and other deposits has tremendous scope for further commercial development. Also, unknown mineral wealth con-

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stantly attracts exploration work requiring venture capital.

Sixth: Development of air transportation is another channel for investment in Canada. Edmonton has demonstrated its strategic importance as the great terminal for air routes to the Orient and Russia; Goose Bay in Labrador is the point of departure for the shortest route, over water, to Europe.

Seventh: Rural electrification, irrigation in the Prairie Provinces and research in the use and cultivation of many agricultural products offer special scope for investment in Canada.

Eighth: The past experience of capital invested in Canadian Government, municipality and corporation securities has proved profitable. This experience should stimulate initiative and enterprise in Canadian investment channels.

Opportunities for Canadian Investment

While the preceding paragraphs do not exhaust the opportunities for Canadian investment, they do indicate a promising outlook for it.

We in Canada feel that we are on the threshold of a new era of rapid and profitable growth. We feel that we are well equipped to utilize our resources, experience and skill to increase our economic wealth. As a people, our ability, thrift and initiative have already enabled us to achieve material standards of living which are probably exceeded by no other nation, except the United States. These past accomplishments challenge us to reach still greater prosperity than we have yet known. They also place upon us heavy responsibilities to utilize our opportunities to their utmost extent.

Canadian investment business expects to participate actively in the future development of Canada and looks forward with confidence and enthusiasm.

The Blocked Sterling Balances

(Continued from page 2699)

to be blocked in practice as well as in theory.

The realization of this state of affairs has caused a certain amount of uneasiness. The amount of "Sterling Area Balances" (to use the official description of these assets, which include holdings of Treasury bills as well as current account balances proper) is believed to be between £3,500,000,000 and £4,000,000,000. If only a small fraction of this amount is spent on goods the export of which is now free, the small supplies available for export would soon become exhausted.

This would mean that most of the exports would go to countries which pay in the form of sterling accumulated during the war, and not in the form of much-needed foreign exchange. For the chances are that holders of sterling balances are prepared to pay higher prices for British goods than other overseas importers. Suggestions of a drastic scaling down of the war balances, made during the Washington financial discussions, gravely perturbed their holders, and they would be prepared to lose 10% or 20% through paying excessive prices rather than lose 50% through a settlement they may have to accept, settlement which would in any case provide for the postponement of the repayment of the balances.

Indeed, there is no reason to suppose that the demand by Indian, Egyptian, &c., holders of sterling balances would be confined to the surplus of supplies which would in normal course be available for export. In their keenness to liquidate the largest possible amount of their sterling balances before a settlement imposes a limit to their liquidation, the holders would outbid also British buyers, so that their demand might even endanger supplies essential for domestic production or consumption.

There is yet another aspect of this situation. It is widely felt that if a debtor is unable to discharge all his debts, the correct procedure is not to follow the rule of "first come first served," but to allocate the assets available for debt repayment in strict proportion to the respective amounts of the claims. Under the existing arrangement those who are first on the spot and place orders stand to secure a more favorable treatment than the less enterprising creditors.

Admittedly, the actual amount involved in the withdrawals of sterling balances through exports must be at present very moderate. Supplies are still most inadequate, and manufacturers are reluctant to accept large orders, owing to the uncertainty of their capacity to deliver, and also owing to the uncertainty of the level of production costs a few months hence. It is perhaps for this reason that the Government does not think it necessary at present to impose a restriction on exports to countries paying with sterling balances, in order to reserve an adequate proportion of the by no means very large exports to countries which pay in foreign exchange. The view is held, however, that the smallness of the exportable surplus is no justification for failing to make the best possible use of it from the point of view of covering the foreign exchange requirements of the import trade. It is also feared that buying pressure by holders of such a vast amount of sterling could not fail to cause a rise in prices, which would increase difficulties to export to countries paying in foreign exchange, and would aggravate the domestic economic situation.

Sooner or later the problem of the sterling balances will have to be tackled firmly. Otherwise, it will be a millstone 'round Britain's neck that would drag her down and prevent her recovery. In any case it will be difficult to balance British essential imports with exports in the changed situation; but if a large proportion of exports is used for the repayment of war balances then the problem will become incapable of solution.

Many Britons consider the huge sterling balances a blessing in disguise, for their repayment would secure steady markets for British goods. But while individual exporters may stand to benefit by exporting against payment out of these sterling balances, the transactions are a dead loss from the point of view of the country as a whole. From the point of view of the national wealth and income, the labor spent on goods thus exported is as much wasted as if it had been spent on digging big holes and filling them again. The idea that a country must export as much as possible just for the sake of exporting, or even for the sake of creating employment, is considered hopelessly out of date by most thinking people in this country, though it is still held among a minority of old-fashioned orthodox economists out of touch with the realities of life.

Announces Change of Name to Ferris & Co.

WASHINGTON, D. C.—The firm name of Ferris, Exnicios & Co., Washington Building, has been changed to Ferris & Co., it is announced by George M. Ferris, President. Marshall Exnicios, who was recently released by the Army, is no longer associated with the firm.

Capital structure and directors remain unchanged. Other officers include T. C. Montgomery, Vice-President, and Thomas N. Leef, Secretary and Treasurer.

Laird & Co. to Admit Three New Partners

WILMINGTON, DEL.—Laird & Company, Nemours Building, members of the New York Stock Exchange and other exchanges, as of Jan. 1 will admit David Craven, Wiliam G. Jones, Jr., and N. Matthew Nilssen to partnership in the firm. Mr. Nilssen will make his headquarters at the firm's New York office, 61 Broadway.

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Wage-Price Equation and Future Outlook

(Continued from page 2700)

(2) a growing recognition that employment and wages depend upon business expansion and that we cannot get business expansion under a private enterprise system unless the assumption of risks is encouraged by the chance for reasonable profits. I do not mean to imply that all government regulation of business will henceforth be abandoned, or that it would be desirable to scrap all types of regulation. I do mean that the excesses of recent years are likely to be reduced. I make this statement in the face of one important exception to be discussed later — which seems to point in the opposite direction.

Second, instead of the vast rise in prices which most people had anticipated the wartime increase was comparatively moderate. Wholesale prices rose little more than one-third from the low levels of the late thirties, while the cost of living, including rents, advanced roughly 25%. We had, especially after 1942, a creeping rather than a running inflation.

Third, instead of impoverishment the war brought substantially higher standards of living for the masses of the people. Thanks to longer hours and the increased number of workers per family, real wages rose sharply during the war period. Even with the retirement of several millions from private employment and the resumption of a 40-hour work week there is good reason to believe that the real income of the American people in the years just ahead will be well above the levels of the late thirties.

As we enter the postwar period it is clear that we possess the plant capacity, labor personnel, financial resources, and technical knowledge and experience necessary for a period of great development. Moreover, the accumulated shortages of commodities and the abundant purchasing power available provide the necessary stimuli for business expansion. And yet as we stand poised between war and peace the situation is one of conflict and bewilderment.

The Prevailing Confusion

One crucial issue lies at the basis of our present difficulties, namely, the appropriate level of wage rates. The current drive for substantial increases in wage rates is readily enough explained by the natural desire to maintain the wartime level of earnings. As overtime pay disappears the simple and obvious means of sustaining purchasing power appears to be to increase the basic wage rate.

The current wage program is, however, supported by an economic philosophy. It is urged that the continuance of the wartime level of earnings is essential to provide the markets for the full output of our productive plant; if wages are reduced, buying power will be curtailed and deflation and unemployment will ensue. Top officials in the administration have stated that increases in wage rates, especially in the lower income groups, are necessary if we are to avoid deflation.

But, at the same time, and without appearing to recognize any inconsistency, it is contended that the gravest problem of the moment is to prevent inflation. It is urged that, unless price controls are rigidly enforced, the vast accumulation of unspent purchasing power will raise the roof. In the words of Chester W. Bowles, "Today we have all the makings of an inflation and eventual collapse on a far greater scale than anything we knew in 1918. Inflationary pressures are vastly greater. . . . We have our teeth set in the cost of living, and we are going to hold on like a Boston bull pup until our services as inflationary watch dog are no longer necessary." Mr. Bowles was not here referring to the upward pressure on prices exerted by increasing wage rates. He was referring to the accumulated purchasing power on the one side and the great shortages of consumer goods on the other.

It should be obvious (but apparently it is not) that if we give the same pay for forty hours of work as for forty-eight hours of work the supply of dollars would be increased relatively to the supply of goods available for purchase.

This is, however, only one aspect, and the less important aspect, of the wage-price question. It should be borne in mind that wages are related to industrial prices in a two-fold way: (1) as **income** received by workers, wages constitute purchasing power; (2) as outlays by business enterprisers **wage payments** constitute a major element in cost of production. Of the two forces, one operating on the demand side and the other on the cost side, the latter is ordinarily of much greater potency. The increase in purchasing power is a **permissive condition**, whereas the rise in costs is a **compelling force.**

A major source of confusion is the widespread misconception with respect to profits. The expansion of production during the war period not only enabled plants, generally speaking, to run at full capacity; but it forced them to work overtime. Full employment of plant and equipment and the overtime use of facilities naturally meant a very great increase in gross earnings, just as full employment and overtime work on the part of labor meant a very great increase in wages. Corporations were not, however, permitted to retain much of the increased earnings; the bulk were channeled to the government under the excess profit and renegotiation laws. It was conceded in the tax legislation that provision should be made during the war years to cover reconversion costs and postwar contingencies and to make possible the expansion which was essential to the resumption of private employment.

But is now assumed, or least contended, by labor leaders that vast hidden resources are available with which to pay higher wages, not only this year but indefinitely. It also appears to be assumed that even though factories return to a 40-hour week, earnings will remain at wartime levels. There seems to be no clear understanding of the fact that as the number of hours worked declines, production and profits also decline.

A part of the confusion also arises out of varying conceptions with respect to technological progress and increased efficiency. Increases in output per man per hour may result from improvements in machinery or shop organization or from better performance on the part of individual workers. During the war period we had substantial technical improvements in some lines, while in others, especially those which were forced to shift completely to war work, there has been little if any. But at the same time there has been occurring a deterioration of labor morale and a consequent lessening of individual efficiency. It may well turn out that the year 1945 will show on balance a substantial decrease in man-hour output. Such was, in fact, the case during the year 1919.

In the nature of the case the situation with respect to productive efficiency will show wide variations in the different divisions of industry. No generalization applicable to industry as a whole can possibly be made. In some lines there may have been a substantial increase in man-hour output, while in others there may well have been a decline. But it is impossible at this time to do more than guess at the extent of the change one way or the other in particular industries. We shall have to wait and see—wait until conditions are more stabilized.

OPA's Troubles

In this situation the OPA has announced its determination to prevent the excess purchasing power from bidding up prices. However, the OPA officials have no means of getting rid of the troublesome excess of purchasing power or of preventing it from increasing. Concretely, the OPA is not vested with control of major factors affecting the supply of purchasing power: (1) the OPA has no control over government fiscal policies and the volume of government expenditures; (2) the OPA has no control over the liquidation of government bond holdings; (3) the OPA has no control over installment or other credit expansion; (4) the OPA has no control over the volume of employment or the rate of wages, both of which directly affect the volume of purchasing power.

Similarly, the OPA has no control over two of the primary elements affecting factors in the cost of production, namely, the prices of agricultural raw materials, and wage rates. The former are controlled chiefly by government purchases at prices designed to support the income of farmers. Wage control since the end of the war has to all intents and purposes been abandoned, emphasis now being placed on the determination of wage schedules by collective bargaining—with the administration supporting the thesis that wage rates should be increased to prevent deflation.

In practice, therefore, the OPA can merely try to prevent prices in each and every industry from being increased more than is necessitated by the changing cost situation. Under existing conditions the OPA—no matter how well intentioned—can only bedevil the industrial situation and retard the processes of reconversion and expansion.

The the case of steel. The OPA says **No**, steel prices cannot be increased now. Though prices remained virtually unchanged throughout the war period while wage rates advanced rapidly, OPA figures that with the volume of output at present and in prospect no advance in prices is justified. But OPA has no means of knowing what the volume of steel business will be next year—for this depends upon indeterminate factors—among which are strikes in the industries which consume steel. Moreover, the OPA is not at all sure of its **present** decision—as is evidenced from the fact that it promises to review the situation in January or February when the year-end operating figures become available. But whatever the figures for a year of readjustment like 1945 may show, they will not be true guides to 1946 prospects.

The steel industry hestitates because of uncertainty as to the decision which the OPA will reach when it reviews the situation early next year. Still another review of the price situation in steel would be necessary if wage rates are increased in the industry, and if steel prices are in due course increased, automatically prices will have to be revised in many related industries which use steel products. Meanwhile, the months elapse and the opportunity for quick reconversion and resumption of employment is gone forever.

It should be clearly understood at this point that the so-called **price** control is in truth **profit** control. The test is the prospective rate of profits. Moreover, the OPA is concerned not merely with controlling the level of profits for industry as a whole; they stand ready to give relief to individual companies which can show distress. These are of course as a rule the high-cost less-efficient companies.

The OPA program as outlined calls for the control of profits not only during the period of reconversion but more or less indefinitely. Mr. Bowles has stated that the OPA must be prepared to prevent a recurrence of an inflationary spiral such as that which occurred in 1919-20. "The OPA must be prepared to suspend or clamp down as the occasion demands." And he has announced that it is time to begin now to plan for the extension of the Price Control Act beyond June 30 next.

Since the OPA has no control over either the supply of purchasing power which encourages inflation from the demand side or over the inflationary pressure from the cost side, it is impossible for this agency to control the situation. All that they can do, I repeat, is to slow down the reconversion and expansion movement. This agency is not equipped with the necessary personnel to review the cost-price situation in a multitude of industries with the necessary expedition. In an unguarded moment Mr. Bowles has admitted that personnel is limited and "we don't know how ambitious a job we are undertaking."

Is Rampant Inflation Inevitable?

In the light of the foregoing discussion, one may well have gained the impression that I think rampant inflation in the near future is inevitable. Such is not, however, my conclusion—for reasons which I shall briefly indicate.

First, available evidence indicates that we are likely to have an appreciable decline in the prices of agricultural products, both foodstuffs and raw materials, during the next year or so. The great problem with which the agricultural agencies in Washington are concerned is not how to prevent farm prices from rising, but how to prevent them from falling—in some lines precipitately. We are committed to a policy of maintaining a floor under agricultural prices at 90% of parity—which would permit a decline of roughly 25% from recent levels.

Second, the supplies of most of the basic raw materials are also plentiful. However, in this field the possibilities of price declines might be checked by rising wage costs.

In the field of industry, the determining factor during the coming year or two will continue to be the movement of wage rates. If labor succeeds in gaining much higher wage rates in such basic industries as steel, coal, and in railway transportation, the pressure for higher prices to cover increasing costs will quickly extend throughout the industrial price structure. If, at the same time, wage rates have to be advanced sharply in consumer goods lines, the upward movement will be accentuated.

The outcome of the present industrial conflict is, however, far from certain. After some weeks, perhaps months, of stagnation in major lines of industry settlements may possibly be reached which may involve comparatively moderate increases in labor costs. If this should prove to be the case, then I would conclude that the accompanying price increases would not be great.

But still one may ask, will not the acute shortages of consumer goods inevitably lead to a marking up of prices all along the line? In considering this question one must bear in mind that—assuming industrial peace—we should have in a wide range of consumer goods a rapid increase in supplies. The situation is at its worst just now, being affected by reconversion and adjustment problems, by labor shortages, and by a tendency to postpone deliveries and collections until after Jan. 1—when the excess profits tax goes off.

The really acute shortages are confined largely to the field of durable consumer goods; and here, as we shall see, there is a safeguarding factor of great importance. These durable consumer goods include automobiles, refrigerators, washing machines, vac-

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uum cleaners, electric irons, toasters, radios, clocks and watches, furnaces and heaters, and stoves and ranges. In 1941 expenditure for these commodities amounted to 6.5 billion dollars, or only 8.5% of total consumer expenditures in the United States. Thus, even if in these lines there were a great increase in prices, the effect upon the over-all cost of living would not be pronounced. The price situation in these fields is, however, safeguarded by the fact that the leading companies have always followed a low price policy designed to expand markets. In the automobile industry, moreover, there is intense competition among the major companies; and there is no disposition to invite extensive new competition by pushing prices up during a temporary interval when demands are exceptionally large. The obviously sound policy is to set prices at a level which will sustain demand for several years rather than to gouge consumers while the opportunity exists. The intensity of the competition in this field is well illustrated by the effort of the labor unions to force General Motors to terms through fear that the other companies might get the jump on them.

Eighty per cent of the durable consumer goods other than houses are produced by about 20 companies: and the balance by 25,000 companies. Thus, in the durable consumer goods industry as a whole, prices are determined primarily by the policies of a few major companies. By virtue of their size, many people are wont to look upon these companies as monopolistic in character. But incontrovertible evidence shows that they have not pursued monopolistic price policies, but on the contrary that they have sought steadfastly to share the benefits of technological progress with workers and consumers alike.

Realism with Respect to Wages

The impression may possibly have been given by the discussion thus far that I am opposed to higher wages. The fact is that for 25 years I have stressed the importance of high real wages for the masses of the people. Only by expanding mass consuming power in proportion to mass producing power can we maintain a balanced and continuously prosperous economic system. But on the other hand I have insisted equally strongly that wage rates must conform with production realities. If at this juncture, when both factories and workers are returning to the 40-hour week, we try to retain the wartime level of take-home pay result can only be a reduction of our real buying power.

Moreover, in the struggle to obtain the impossible, untold economic injury is meted out to the millions of unorganized and professional workers, who are the real forgotten men and women of America.

As I stated at the beginning, we have available in America today the physical resources and the scientific and technical skills required to make these early postwar years a period of genuine prosperity. But unless, through the industry-labor conference, or by other means, we can establish realistic wage-price relationships we shall produce not full employment, satisfactory profits, and abundant revenues for fiscal requirements, but, on the contrary, low levels of production, unemployment, meager profits, and increased federal deficits.

Unfavorable Outlook for Early 1946

The business outlook for the early part of 1946 is certainly not propitious. It seems highly probable that some months will elapse before the wage-price issues can be so adjusted as to permit a strong, well-rounded forward movement. Despite the stimulus flowing from pent-up demands production seems certain to be retarded. Even where operations are not tied up by industrial strife the shortages of key parts may serve to impede output. I incline to the view that the first half of 1946 will be one of the most difficult periods in our industrial history.

Hope for the Longer Future

As we look a little further forward the prospect in much more encouraging. Once industrial peace is restored and wages and prices are brought into something like harmonious relationships we should enter upon a period of very great activity, an activity which in the first stage will be rooted in the replacement of consumer goods.

I have no fear that the moment we have made good the shortages of consumer goods we will inevitably have a business recession. Support for a longer period of prosperity exists in the very extensive shortages of houses and capital goods.

In every great war many types of capital goods production are severely restricted. I refer especially to the construction industry, including both residential and commercial buildings, and to every important division of industry. There is inevitably a large accumulation of deferred maintenance; plant and equipment becomes obsolete; and quite as important, the normal growth of peacetime facilities is arrested.

In the replacement period of 1919-20 there was comparatively little expansion in the capital goods segment of the economy. This was especially the case in railroads and public utilities and in the housing field where a combination of factors retarded constructive developments. Thus after the collapse of 1920 and 1921 the new period of expansion was based primarily upon the rehabilitation and expansion of these industries.

At the present time the requirements in these fields are very much larger than was the case after the last war. This is due to the fact that we have had subnormal construction and growth for a much longer period of years. In the fields of housing and railroad construction replacements will have been at a very low level for nearly 15 years. At the same time, in both fields new technological developments have rendered a larger proportion of the existing physical properties of an obsolete character. In the interests of productive efficiency and a high national income, we need and should have a replacement and expansion of the nation's physical plant and equipment on a scale greater than that ever known in our history.

The longer-run outlook is therefore very favorable. If we can clear up some of the confusion which now exists, and get down to work, we can have a long period of well-rounded prosperity.

Municipal News and Notes

While it is hardly in the nature of news to those who derive their livelihood from the purchase and sale of State and municipal securities, the fact is that State governments again, in the fiscal year ended June 30, last, made a further substantial cut in the volume of their indebtedness. The reduction for the period, according to data compiled by the Department of Commerce, was 11.5%, thus reducing the outstanding dollar balance to $2,471,000,000. This figure represents the total of gross indebtedness and is the smallest aggregate for any year since 1930.

The wartime contraction of State debt, which proceeded uninterruptedly from 1940 through 1945, resulted from the twofold effect of the war economy upon States' finances, the Department said.

Opportunity for capital expenditure was reduced sharply by wartime restrictions, especially those relating to construction, and by shortages of manpower. Thus capital outlays declined from $737,000,000 in 1940 to $326,000,000 in 1944. Since a substantial part of these outlays was financed from revenue, the bonds issued each year were much less than capital outlays, and new bond issues shrank from $186,000,000 in 1941 to $32,000,000 in 1944.

Secondly, the phenomenal rise in national income was reflected in State finances. State tax collections, apart from payroll taxes for unemployment compensation, rose from $3,313,000,000 in 1940 to $4,255,000,000 in fiscal 1945.

State revenue so exceeded expenditure that sizable surpluses resulted in most States. These surpluses mean not only that debt loads have been carried easily during the war, but also that reserves have been accumulated for debt retirement and especially for post-war construction without borrowing.

Provision for debt retirement from revenue averaged $320,000,000 annually for 1941 to 1944, inclusive, the largest expenditure having been $397,000,000 in 1943.

Three New Executives At Royal Bank

The appointment of Sydney G. Dobson as Executive Vice President of The Royal Bank of Canada has been announced by the board of directors. The board also announced the appointment of Burnham L. Mitchell as a director and Vice President, and James Muir as General Manager.

Mr. Dobson, General Manager since 1934, first entered the banking business in his native town of Sydney, N.S., as a junior in the local branch. He was made assistant general manager in 1922 and in 1934 he was made general manager. He was elected a director in 1939 and vice president in 1942. He was president of the Canadian Bankers' Association in 1937-38.

Burnham, L. Mitchell, since 1935 Assistant General Manager of the bank at Toronto, becomes a Director and Vice President. He is a native of Merigomish, N.S., and gained his first banking experience in the New Glasgow branch. In 1934 he was made supervisor of Ontario branches and in 1935 was appointed assistant general manager. He will continue to make his headquarters in Toronto.

James Muir, the new General Manager, has been a banker since boyhood. A native of Scotland, he joined The Royal Bank of Canada in 1912. He served in the bank's New York office where for three years he was assistant supervisor for Central and South America. He was made assistant general manager in 1935.

James P. Hart With Davis in Cleveland

CLEVELAND, OHIO—James P. Hart has become associated with Paul H. Davis & Co., Union Commerce Building. Mr. Hart was formerly with Hirsch & Co. in Cleveland as a trader. Prior thereto he was with Paine, Webber, Jackson & Curtis.

Frederic Janney With Pacific Northwest

PORTLAND, ORE.—Frederic F. Janney has become associated with the Pacific Northwest Company, Wilcox Building. Mr. Janney in the past was a partner in Dean Witter & Co.

Manufacturers Trust Co. Booklet on Veterans Loans

Recognizing the responsibility of banks to serve the desires of returning veterans for economic opportunity and security, and the need for mutual understanding between banks and veterans of the many problems involved in small business loans, Manufacturers Trust Company, New York, is distributing a booklet containing a speech by Mr. John B. Paddi, Vice President, entitled "Opportunities, Qualifications and Risks in Small Business for Veterans Under the G. I. Bill of Rights." In his official capacity as Chairman of the Advisory Committee of Veterans Administration for New York County, Mr. Paddi was recently invited to make the talk by the Educational Department of the United States Naval Hospital, St. Albans, New York.

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The Wheeler Bill on Future Railroad Reorganizations

(Continued from page 2705)

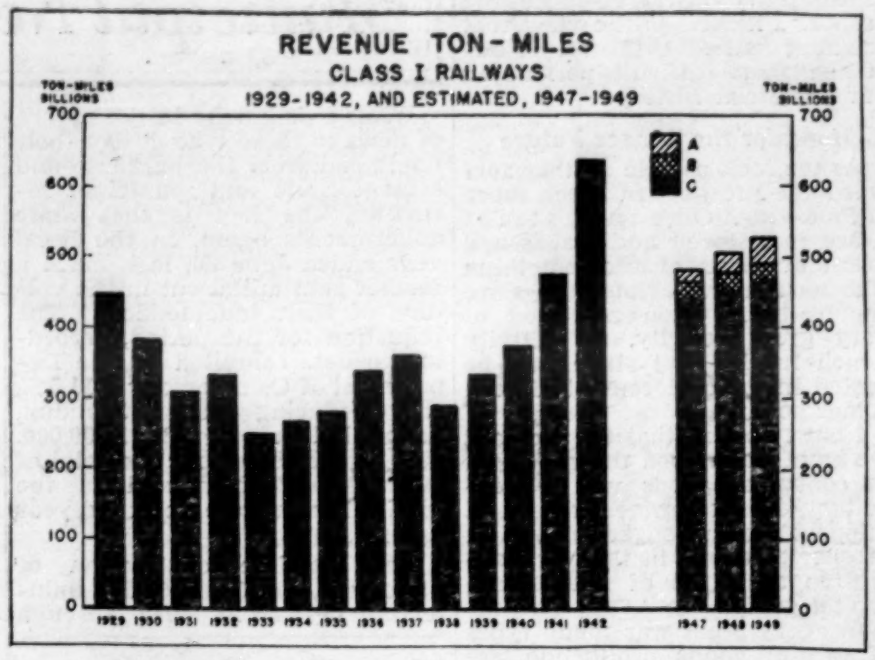
refused to review the finding of the ICC wiping out stockholders. Justice Reed, writing the opinion of the Supreme Court in the St. Paul case, stated: "The power of the court does not extend to participation in all responsibilities of the Commission. Valuation is a function limited to the Commission, without the necessity of approval by the courts."

The old procedure in railroad bankruptcy should be reexamined. It was abused by reorganization managers, who obtained huge fees in the process. But it had one great merit. The stockholder was given the option of paying an assessment and retaining ownership before being wiped out. Today he has no option. To punish the bankers, the stockholders were vicariously afflicted. The reorganized railroads were taken from them and were transferred to the powerful financial institutions, like insurance companies. Banking and legal fees could be rigidly controlled without expropriating stockholders.

II

The Bill S. 1253 is designed to treat future bankruptcies. If it is sound it should apply also to present bankruptcies, for a new economic situation has arisen. Since the ICC plans have been completed, beginning in 1938, the financial condition of the railroads has improved sensationally. From 1939 to 1944 for all Class I roads, gross income rose from $4.0 to $9.4 billion. Net income before taxes rose from $451 to $2,514 million. Net current assets or working capital rose $2.9 billion, from a deficit of $1.2 billion to a plus of $1.7 billion. Total debt declined from $9.7 billion to $8.0 billion. Interest charged declined from $400 to $320 million. Yet we are executing a policy based on the assumption of permanent depression at the 1931-5 level.

The ICC based its reorganization plans and new capitalization on the earnings of the depression years, 1931-5, even though Commissioner Eastman stated at hearings of Congress in 1935 that these depression years would not be used as a basis of reorganization. But the ICC itself in December 1944, forecast "postwar traffic" for 1947 to 1949, not at depression levels of 1931 to 1935, but exceeding the high levels of 1929 and 1941.



Postwar Rail Traffic Should Exceed Peacetime Levels

The Interstate Commerce Commission gives a detailed estimate of national income for the early postwar period as follows:

	—Billions of Dollars—		
Estimate	1947	1948	1949
A	108	114	120
B	103	107	110
C	96	100	102

The average for 1931 to 1935, used by the ICC as a reorganization base, was $58 billion or about half the above estimates.

Based upon these estimates of future national income railroad freight and passenger traffic volume in the early postwar period should equal or exceed the record levels of 1929 and 1941.

The railroads in reorganization, whose stocks are declared worthless, are showing income before tax never before equaled in American history. **These so-called "worthless" stocks have been earning from $15 to $40 per share.** They are paying huge excess profits taxes per share to the Treasury. In 1944 Rock Island paid $40 per share in excess profits taxes, the Missouri Pacific $56 a share and the St. Louis South Western $130 per share, or more in excess profits taxes than the entire issue outstanding. Dead cows give no milk. The capacity to pay such taxes is clear evidence that there is definite earning power in these stocks and it is idle fantasy to call them "worthless." Let us be realistic. The Bill S. 1253, dealing with future insolvencies, should be amended to include these carriers. What a pathetic spectacle to see our government blindly persisting in a wrong policy.

There are 19 major railroads in reorganization right now. When they are cleaned up there may not be another railroad reorganization for two generations. Don't forget that 40% of the nation's mileage has been in reorganization since 1930. This is twice the figure of the great depression of the 1880s and 1890s. A railroad that didn't go broke in the 1930s is not likely to go broke for many years. Does it not seem absurd to make provisions for remote contingencies, legislated in S. 1253, and to ignore present necessities met by the Hobbs Bill? **We are legislating for an abstraction when reality faces us.**

III

What is the basis for the opposition to the Hobbs Bill? It is said that the current reorganizations would be delayed. But the House Judiciary Committee unanimously denied that delay would result and cited reasons (Report, p. 7).

"It is not believed that the provisions of the bill will result in any delay in the pending cases. All of the facts in all of the pending cases are already of record. No long-drawn-out investigation in any case would be necessary to enable the court to pass judicially upon the Commission's determination of earning power. The standards by which the new capitalization is to be measured, that is, the actual investment and the 19a valuation, are readily accessible from the files of the Commission, and in most cases have been introduced into the records already before the courts.

"We conclude, therefore, that the enactment of this portion of the bill will not tend to delay the progress of pending plans. Delay, however, would be preferable to confiscation." Hundreds of millions of dollars are involved.

The opposition says that speculators will benefit if the Hobbs Bill is passed. But speculators HAVE already benefited because the Hobbs Bill wasn't passed. Look at the price of defaulted railroad bonds in 1940 and 1945. Some bonds that sold at $1 or less have risen to $50 and higher. The average of all defaulted bonds has risen 1000%. But stocks of defaulted rails are selling at lower prices than in 1932. They are practically zero.

Besides, this argument is contradicted by its own advocates. First the ICC says nothing is left for the stockholder and therefore the stockholder should be wiped out. Then it says that speculators, expecting earnings, will buy this "worthless" stock to benefit by the rise. Speculators are not so foolish as to buy worthless securities with no prospect of earnings. Besides, speculation is a democratic affair. It is not a restricted club. Everyone is eligible. There is no waiting list and no black-ball.

The present holders are overwhelmingly the holders of several years ago. The transfer books show few changes. These long-term stockholders can benefit only if somebody buys the stocks and bids up the price. True, the new buyers would benefit. But

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they must necessarily be limited to relatively small amounts of stock, perhaps 1% of the total issue. However, the old stockholders, or the other 99% of the issue would receive the great benefit. **The old holders cannot benefit if new buyers do not venture.**

The tremendous improvement in the railroad situation is reflected in the price of defaulted bonds and of solvent common stocks. Common stocks rose almost 300% on the average for **solvent** railroads. Stocks of roads barely escaping default, like Baltimore & Ohio, rose 1150%, and Missouri Kansas Texas rose 6700%. But stocks of **defaulted** roads were frozen at practically zero. **Bonds** of defaulted railroads rose on the average 1000%. Some bonds rose over 5000%. But their **stocks** were frozen near zero. **Prices of shares of the solvent roads rose to reflect the improvement in business. Prices of shares of insolvent roads are below 1932 levels and reflect the freezing of depression conditions. There was indeed wild speculation but it was in the new "when issued" stock by new holders while old holders were frozen and wiped out.** The old stockholders did not benefit, but could merely observe with chagrin. A similar rate awaits all the other bankrupt railroads in the West, from the Canadian border to the Rio Grande.

IV

Who owns the railroad shares now? Figures available at the Securities and Exchange Commission, the New York Stock Exchange and at the transfer agents of the railroad companies' stocks show significant statistics. Of the total number of stockholders, between 87% and 93% own less than 100 shares. Obviously, most railroad stockholders are small people.

Who will own the railroad shares if the Hobbs Bill is not passed? Insurance companies and the savings banks will become the owners of the railroads. Look at the institutions represented on the Board, or as Trustees of the roads already reorganized. The list looks like an officers' directory of insurance companies. Little people from Maine to California, who expressed their faith in private enterprise by buying shares have been wiped out by the government through unwise legislation. Their places have been taken by a few powerful financial institutions.

V

Stockholders are victims of a legal impasse, and new legislation is required. The ICC Commissioners in their report on the reorganization of the Chicago North Western stated that they "are deeply sympathetic with the attempt to find some method by which the present stockholders might be lawfully afforded a continuing interest in this property. . . . We reluctantly express the view that this is here impossible, for the law as it stands is inexorably against such a course." **Under the present law, as interpreted, the Commission's hands are tied by the courts, and the courts' hands are tied by the Commission.** Many thousand stockholders were wiped out because of this legal impasse. Such a statute must be changed.

The injustice of the present situation was stated in an opinion by Judge O. L. Phillips in May, 1945, in the Circuit Court of Appeals:

"I feel impelled to suggest that the elimination of the holders of bonds—and of the stockholders on the basis of a valuation resting wholly on an estimate of future earnings is harsh treatment. . . . **The injustice . . . has aroused the attention of Congress and corrective legislation has been introduced.** H. R. 4960 has already passed the House and is pending before a Senate committee. . . . It is my conclusion that **only through corrective legislation** or a more liberal attitude of the Commission **can the junior security holders obtain relief.**"

A similar injustice was cited in an opinion by Federal Judge John C. Knox in the reorganization plan for the Equitable Office Building (New York). **The plan made no provision for common stockholders.** "I should not, unless I can help it, say to the stockholders that they have no interest whatever in that building over a term of years. . . . I should not hesitate to say that that building will have a permanent value for a long time of $15 million . . . and should not come to the debenture holders for their $5 million. That is the end I am trying to avoid." (Hearings U. S. District Court, South District; July 13, 1945; No. 78, 476, page 708.)

"If this plan goes through **the debenture holders will receive a bonanza.** It might result in **unjust enrichment for the debenture holders** over the next few years." He therefore suggested that the trustees and interested groups **work out a new plan to issue to the stockholders a Class B stock.** (New York "Herald Tribune," July 14, 1945.)

VI

Why should not Bill S. 1253 be amended to include the best features of the Hobbs Bill, in order to relieve roads like the Missouri Pacific, St. Louis South Western and New Haven, which have paid most of the over-due interest on senior bonds?

Of the reorganizations since 1940, in 13% of the mileage, stockholders retained an equity interest because the plans were voluntary as under the Chandler and McLaughlin Acts. But in 28% of the mileage, stockholders were wiped out and received nothing, as in the Western Pacific and Chicago North Western, reorganozed under the destructive Section 77. Fifty-nine per cent remaining can yet be salvaged for the small stockholders if Congress acts **quickly,** and either passes the Hobbs bill or an S. 1253, amended to include the Hobbs Bill. In several roads the plans are on the verge of execution, after which losses will be irretrievable.

VII

Commissioner Carroll Miller of the Interstate Commerce Commission has been a courageous dissenter on behalf of the stockholder. Commissioner Miller's opinions **in 1939 and 1940** in several reorganization cases cited here showed constructive imagination, an instinct for equity and business judgment.

"Looking at the decline of railway traffic and earnings under the onset of the depression and the competitive attack of other types of carriers, **it is comparatively easy to convince ourselves that neither rail traffic nor earnings will ever again attain the levels of the 1920s. The fact remains, however, that there is no absolute certainty that this is true.** The forces of economic change which have been operating so adversely to the railroads may conceivably reverse themselves in another decade despite the gloomy present prospects of such an occurrence.

"Nor does it follow that rail earnings may not approach or reach their former levels even though past traffic volumes do not return to the rails. In the field of cost reduction through rail consolidation and coordination lie possibilities of savings of expenses which repeated and independently made studies have estimated at hundreds of millions of dollars.

In view of these circumstances, I believe that we ought not to cut off the present shareholders of this or other railroad companies from all possibility of participation in any recovery of earnings resulting either from a regaining of traffic volume or from cost reductions brought about through consolidation and coordination.

"In order to give the present equity holders an opportunity to participate in the future earnings of the company in the event of such consolidations, it appears to me that **warrants should be issued in this reorganization.** The optioned stock should be no-par-value common, subordinate to the common stock authorized herein, and the receipts from the sales thereof should be used first to retire fixed-interest indebtedness. The issuance, under such increased capitalization, to the present equity holders of a **subordinate class of no-par-value common stock,** with or without a cash contribution as might be appropriate, **would give them an opportunity to participate in future earnings of the company.**

"Such deferred participating stock, if and when issued, would be no-par-value stock entitled, for example, to a dividend of $X after, say, a dividend of $Y on the proposed new common issued in connection with the reorganization. Thereafter, any additional profits over and above the dividends on the common and deferred participating common stock would be divided between the common stock issuable under the plan and the proposed deferred participating common in an appropriate ratio, for example, equally share for share." (It might be convertible into a fractional share of common.—Ed.)

VII

The subject of railroad reorganization is large and affects many interests. But one interest is not even being heard. That interest underlies our privately-owned railroads. Indeed, it underlies our whole system of private enterprise. And that interest is the private investor. **This Bill deals solely with the creditors, as if the owners were non-existent or as if the government owned the roads.**

Those who believe in private enterprise should bend every effort to preserve the interest of the small stockholders. Commissioner Eastman quoted ICC Ex Parte No. 115 (1937, page 729), in a letter on a railroad reorganization: "The end in view, as we have stated, is the maintenance of an adequate national railway transportation system. Such a system, so long as it is privately owned, obviously cannot be provided and maintained without a continuous inflow of capital. Obviously, also such an inflow of capital can only be assured by **treatment of capital already invested which will invite and encourage further investment.**"

Chairman Wheeler of the Senate Committee on Interstate Commerce introduced a resolution to investigate current railroad reorganizations and why solvent roads are kept under the jurisdiction of the courts. Representative Chauncey Reed similarly introduced a resolution in the House to investigate railroad reorganization and pending the results, to suspend action by the ICC and the courts.

A conscienceless attitude either by the ICC or by our legislators must inevitably destroy private ownership. When the British under a labor government undertook public ownership and nationized the Bank of England, it gave just and full compensation to the owners. **We confiscated the small stockholder and have achieved not government ownership of the railroads, but insurance-company ownership.** Is this the end we seek?

The Hobbs Bill was approved by the House Judiciary Committee unanimously in June, 1944, or 18 months ago. It passed the House unanimously, minus one vote, in February, 1945, or 10 months ago. It is locked in a Senate Sub-Committee of the Judiciary and Interstate Commerce Committees under Chairman Wheeler. Of the Senators on these two Committees who expressed themselves, a majority favored the Hobbs Bill. Why is it not released for debate? If the bill is unsound, will not public analysis kill it? Is it democratic process to prevent discussion?

Commissioner Mahaffie is reported opposed to the Hobbs Bill because its enactment will involve too much detail work in making current railroad reorganizations more equitable. Shall the Senate allow such petty considerations to deny equity to many hundred thousands of stockholders, mostly small people, from Maine to California. By contrast the SEC and the courts have repeatedly permitted revision of reorganization plans of utility companies when the financial position improved.

In a democracy the ultimate source of power is in the electorate. An administrative body like the ICC is appointed for long terms and therefore is insensitive to public opinion. The legislative body like the Congress is elected for relatively short terms and therefore is responsive to the public will. Shall the administrators dictate policy to the legislators? Shall administrators, beyond the control of the people, be allowed to frustrate their wishes? The public have spoken. Their Representatives have acted. Should not the Senate Sub-Committee release the Hobbs Bill promptly for debate? A few months from now may be too late. Several billion dollars invested in good faith will be confiscated. Is the Senate Sub-Committee willing to bear the fearful responsibility for such unjust, senseless, ruthless policy? To avert this fate, let the threatened stockholders plead with Senator B. K. Wheeler and their own Senators.

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Raw Material Supplies and Prosperity

(Continued from page 2705)

Americans traditionally have been indifferent to their interests in raw materials supply. It has been our comfortable habit to think of the U. S. as a land of unlimited material resources. The familiar materials like iron and steel we had in abundance, and it was easy to assume that we were similarly rich in all those things needed by an economy that had grown as ours had. We overlooked two vital facts, one that many of our most essential items had of necessity to come from abroad because they were not found here, and two that our own supplies might someday be used up.

As to the first, such critical raw materials as tin and nickel do not exist in the U. S., at least in usable quantities. No completely satisfactory substitutes have been found for either. We must look to foreign sources for these as for many other less well known, but vitally important, materials.

As to the second, it is painfully clear that the abnormal demands of two wars plus two decades of heavy civilian consumption have taken an irreplaceable toll. Our high grade iron ore deposits in the Mesaba range have not many years left. The deposits in the U. S. from which high grade zinc concentrates are produced are being rapidly exhausted. Our good copper deposits will be a thing of history in another twenty-five years. There is much argument about petroleum, because of the unknown nature of possible reserves, but many authorities will tell you that our petroleum resources may well approach the scarcity range within this lifetime.

We never had much high-grade bauxite—the familiar base for aluminum—and we have used up a good part of these limited resources in this emergency. In countless instances our wood resources have been wastefully used, and many of our large stands of timber are gone with little or no reforestation plans to provide replacements for another generation.

I could give many more examples, but this will be enough to emphasize the point I want to make, and that is that the U. S. is passing, slowly but surely, from a country of plenty to a country of scarcity in the field of metals and minerals and other essential supplies. It will be said of course that we have reserves of low grade materials that we could fall back on, and to some extent we could, but at much higher cost and with great difficulties.

Our technical and scientific skills will, of course, find new materials by the synthetic route. Some of these will take the place of items in short supply—rubber is a good example. Some will open up new fields of use—the plastics illustrate this possibility dramatically. The new fibre glass might be representative of both.

Important as the development of these new synthetics is, they can hardly be expected to make up for future possible domestic shortages in many of those bulk, low-cost materials such as copper and zinc — perhaps high-grade iron ore and petroleum—that have made such contributions to the development of our mass production efficiency.

Our Future Raw Materials Position

It may not be stressing the point too far to suggest that we are moving toward an economic position similar to that in which England has found herself, that of having to depend on imports from abroad in order to maintain her very lifeblood of existence. It may hurt our pride, but harden our decision, to ask ourselves if the remarkable combination of assets which enabled this country to develop its fantastic strength, are both gone forever.

Some of these assets, however, we need never lose. We may waste them through carelessness, dissipate them through indifference, but they need not inevitably be used up if we will it to the contrary.

The great American asset of skill is ours for always if we wish it that way. No country in the world has had so high an average of individual skills as this one. First of course we are by temperament that kind of a people. From the days of the first settlers, whose skill in handicraft and woodsmanship, made their very existence; through the era of national development of the late 1800's and of this century, envied by the whole world—the American people have shown an extraordinary aptitude and skill.

More and better goods have steadily been produced and generally at lower and lower prices in terms of real wages. Invention and development have proceeded without material interruption. The electrical industry, the automobile industry, chemicals and plastics—these and many others—have increasingly contributed to a better standard of living, to higher wages and shorter working hours.

Yes, the American people, with their wealth of material resources, their skills and their cooperative approach, have undeniably created the most powerful nation in the world.

But with this power must go responsibility. Responsibility to our own people at home, whose living has, to so large a degree, been integrated into a national fabric through the growth of business units and urban concentration. Responsibility to other nations, whose well-being is more and more dependent upon what we do. Our export and import policies, our lending policies, our control of immigration, and just the state of our internal prosperity—all these currents in our domestic picture may well grow to tidal waves as they reach foreign shores. Whether we like it or not, we have a responsibility for cooperation with the rest of the world, that we dare not evade or avoid.

Now cooperation is a trait of the American people, and the cooperative approach in the solution of our more obvious problems at home, at least, should present no basic difficulties. The almost nation-wide conflict today between labor and management is serious in its effect on reconversion and at some points, it seems to me, inexcusable, but I do not believe it is symptomatic of any fundamental cleavage. Some way or other I think this problem will be worked out.

Cooperation in the International Field

Cooperation in the international field is more difficult, and the outline of a better future is not so clear. Partly that is so because we have been so self-contained; we have made a comfortable fetish from the usually misquoted advice of President Washington on entangling foreign alliances; partly because so many of our foreign experiences have been unhappy, we fail to distinguish between those wisely entered into and those of haphazard incident.

It is only just now that we perceive that our tri-partite system of balanced powers in government does not lend itself too well to international negotiation and frequently leaves foreign governments and their nationals in grave uncertainty as to our position. There is no time to waste, as I see it, in finding operating devices, at least, which will tend to facilitate such international negotiations and alleviate those dangerous uncertainties.

It is on my mind to talk a little about this asset of the cooperative approach because it is closely related to the other one of national skills, and to emphasize a very grave danger I shall say something about some acute British problems.

The British Position

There are two big segments of British production that have played an outstanding part in her history, coal and textiles. They have been of vital importance because they represented large export items and so provided means of payment for the things Britain must import to live. There was a time when British coal and British textiles had an advantage in most every foreign market. That time is no longer.

The cost of mining coal and producing textiles has been steadily climbing until today their coal costs more than twice what it did before the war and textiles have had a generally similar pattern of increase. I will not take the time here to detail all the reasons; inadequate investment in more modern machinery and this in part because of what seems to me an unsound tax policy toward amortization; restriction of output and resistance to new machines and new methods by labor; inadequate recognition of the need for good management; too much father and son and school tie in responsible positions: these and other unhappy evidences of shortsightedness on the part of government, of management and labor together contributed to a steadily growing inefficiency in the old-line industries that have brought England to a critically unhappy state. I should not leave this critical review without pointing out the hope that lies in the fact that Britain does recognize today what has been happening and seems determined to find corrections. But these must take time and a continued heavy toll of individual sacrifice.

Lessons from British Policy

I do want to high-light the danger of the same thing happening in the United States. When the policies of either government or management or labor are such as to discourage these unique skills of ours, to break down the extraordinary cooperation which has characterized the growth of of this nation, and so to discourage efficient production, then our democracy itself is endangered.

As I said a moment ago, one may be annoyed at today's widespread disturbances between labor and management without regarding them as unlikely of normal readjustment; but one cannot disregard the slow but steady growth in many production practices that strike at the very heart of efficiency and cost reduction. The appeal for higher wages is understandable and natural; within practicable limits it is desirable, but when it fails to take into account the obligation for greater hourly output and lower final cost, the seeds of self-destruction are being sown. Labor has steadily made higher and higher real earnings in the United States because it has generally contributed more effort, more skill, and so lower-cost output.

Management generally has been willing to provide better and better equipment and facilities and working conditions as its contribution to larger earnings and lower-cost of production.

Let either of them change that habit of thinking, and the result is inevitable. We should then see here what has happened in some of those older industries in Britain. The consequences might not be so prompt in making themselves apparent with us, because the ability to compete abroad is not so immediately vital to the United States as to Britain. But they would surely come in time.

A very considerable difference of opinion exists in America with regard to the place of the United States in world trade. Many people who regard themselves as well informed will insist that our

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prosperity is not materially influenced by the business we do abroad, and particularly when the problem of payment for these goods has to be taken into account. They will point to the small relative amount of such trade, and conclude that we could as well do without that, if, as they assume to be likely, increased imports and defaulted foreign loans or credits must follow.

Such reasoning is fallacious. Many areas of our country and many industries depend heavily for their very existence, let alone any prosperity, on trade abroad. While the amount of such trade in total may be termed marginal, it can well represent the difference between a prosperous country, with a steadily rising standard of living and one where prosperity is marginal and uncertain and the standard of living under pressure to save itself.

The goods we should be bringing in to provide payments for our exports have, of course, the same or greater effects in their home countries.

Importance of Two-Way Trade

It can be only a scarcity and timorous philosophy that does not encourage every effort to enlarge the flow of two-way trade. To provide such an atmosphere, nations must, of course, and ours in particular, fight against unnecessary restrictions on trade. There must be a willingness to lower tariffs, to work against bilateral arrangements, to facilitate good commercial loans and usable credits, to free the operations of shipping whereever that can possibly be done—in other words, really to want to buy from and sell to the nationals of other countries. The people of the United States unhappily still have a long distance to go in this direction; but if they want the maximum of employment and prosperity at home, they have only one way to go. They will insist that their government strengthen its organization in the field of foreign trade and international economics, so that it can deal firmly and promptly and intelligently with other governments; this will involve determining long-term policy, and generally adhering to it from one administration to another. Most of the economic issues in the foreign field today have nothing whatsoever to do realistically with either Republican or Democratic party practices.

They are difficult of resolution partly because we are not clear in our own minds yet as to where we are to stand with relation to the rest of the world. On the broad general question that isolationism is no longer the sentiment of the majority of our people, I am sure there is no doubt. But when it comes to spelling that out in specific terms, the shoe pinches. In principle, for example, we are deeply sympathetic toward the suffering of the liberated peoples of the world, but when it is proposed to share materials of which we don't have a surplus, objections begin to manifest themselves. There will be a world shortage of perhaps two billion yards of cotton textiles in 1946, and millions of people abroad will lack the barest rudiments of covering; we haven't all the cotton cloth we would like, but we are enormously better off, relatively and absolutely, than any of these war-torn areas. When there is no positive action by Government, actually setting aside and making available such goods for foreign purchases, inevitably purchasing difficulties arise that are understandable. Most individual sellers would rather sell at home when there is an assured market and none of the complications that inevitably attend on the handling of an export order. Without a determined policy, therefore, on the part of commerce and industry to set aside a part of its production for export needs, there is likely to be continued pressure for some government action to make provision for these urgent foreign needs.

One may expect resistance to the imposition or maintenance of such controls by those who are strongly committed to getting government out of the area of control at the earliest possible moment. I emphasize this as typical of the difficulty in determining our attitude and a consistent policy in dealing with foreign needs.

There is much similarity, I think, between our state of mind regarding our relationships with other countries, and more particularly those far away and whom we may not know well, and that which our ancestors had in the extension of our own state boundaries in the early days of the last century. Josiah Quincy was he representative from Massachusetts in Congress in those years, when the settlers beyond the western ridge of mountains were demanding statehood and seats in Congress. Quincy looked at the possibility of these voters in long huts with alarm—saw a danger in the votes these farmer-woodsmen would bring to Washington. With thundering voice he rose to his feet in the Congress and said: "The Bonds of the Union must be dissolved rather than admit these Westerners. As it will be the right of all, so it will be the duty of some to prepare definitely for a separation; amicably if they can, forcibly if they must."

But in 1812, Congress admitted Louisiana to the Union.

The extraordinary development of the resources of these new Western States and the contribution which they made toward a powerful nation are obvious. The significance lies in the fact that the New England States themselves became richer and more powerful when they became a part of the larger whole.

To an extent one may hope that the United States will be richer in resources, better in standard of living, and with greater possibilities for the individual citizen as it is a part of a more prosperous world.

Let the United States fail to assess and assume a fair share of responsibility for repairing Europe, for participating in the task of assuring an orderly economic world, and we shall pay heavily for that lack of foresight.

God give the American people judgment, imagination, and courage to measure up to that challenge.

IBA Holds 34th Annual Meeting

(Continued from first page)

bocker, McClung & Knickerbocker, Houston.

Western Pennsylvania Group: Milton G. Hulme, Glover & MacGregor, Pittsburgh.

Charles S. Garland, the newly elected President, appointed the following National Committee Chairmen to serve for the coming year, 1945-46:

Conference Committee—Albert H. Gordon, Kidder, Peabody & Co., New York.

Education Committee — Julien H. Collins, Julien Collins & Co., Chicago.

Federal Legislation—Walter A. Schmidt, Schmidt, Poole & Co., Philadelphia.

Federal Taxation—Richard F. Dunn, Auchincloss, Parker & Redpath, Washington.

Finance—Irvin L. Porter, The First National Bank of Chicago, Chicago.

Governmental Securities—Aubrey G. Lanston, The First Boston Corp., New York.

Group Chairmen—Lee M. Limbert, Blyth & Co., Inc., New York.

Industrial Securities—R. McLean Stewart, Harriman Ripley & Co., Inc., New York.

Membership—James M. Dain, James M. Dain & Co., Minneapolis.

Municipal Securities — George L. Martin, Martin, Burns & Corbett, Inc., Chicago.

Public Service Securities—Duncan R. Linsley, The First Boston Corp., New York.

Railroad Securities — Fairman R. Dick, Dick & Merle-Smith, New York.

Small Business—John F. Fennelly, Glore, Forgan & Co., Chicago.

State Legislation — Robert G. Mead, Stone & Webster and Blodget, Inc., Chicago.

Stock Exchange Relations — Richard de La Chapelle, Shields & Co., New York.

D. Dean McCormick, Kebbon-McCormick & Co., Chicago, Chairman of the 1944-45 Membership Committee, reported a net gain of 31 members. The Association now has 689 members, the highest in the past five years, but still under the all-time high of 702 reported in 1937.

The Finance Commitee presented an audited statement of financial operations and financial condition, under the Chairmanship of Irvin L. Porter of the First National Bank of Chicago. The Committee reported that during the last fiscal year, which closed on Aug. 31, the Association's normal operations showed surplus figures of $26,300 compared with a surplus of $6,200 for the 1944 fiscal year and a deficit of $1,700 for the 1943 fiscal year. The substantial surplus of the past year was the largest the Association has enjoyed since the 1930 fiscal year when the surplus from operations was $53,400.

IBA GROUP CHAIRMEN

MINNESOTA

G. James Caldwell

TEXAS

W. E. Knickerbocker

J. C. Bradford Opens New York Office

J. C. Bradford & Co., Nashville, Tennessee, members of the New York Stock Exchange, announce the opening of a New York office at 40 Wall Street, with James M. Heller as resident manager. The firm also maintains a branch office in Knoxville, Tennessee.

To Form Scheer & Company

Scheer & Company, members of the New York Stock Exchange, will be formed as of Dec. 7 with offices at 25 Broad Street, New York City. Partners will be Herman N. Scheer, the Exchange member, Robert S. Scheer, David K. Perlman, Louis Chasin, and Bernard Turtle. Mr. Scheer has recently been active as an individual floor broker.

F. J. Ridgeway With Steiner, Rouse & Co.

Steiner, Rouse & Company, 25 Broad Street, New York City, members New York Stock Exchange, announce that Francis J. Ridgeway, Lieutenant Colonel, Finance Department, A.U.S., has returned from duty with the armed forces. He is now associated with the firm as manager of its department for the development of new business.

Stamm to Admit Bickart

A. L. Stamm & Co. will admit Rene Bickart to partnership on Jan. 1. The firm, which is a member of the New York Stock Exchange, is located at 120 Broadway, New York City.

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Government's Role in Full Production

(Continued from page 2700)

productive machine to do the best job it can possibly do for the common good. We want prosperity, in other words: a sustained, solid prosperity that is not subject to shattering ups and downs but that stays at the highest possible level over the longest possible periods of time. Call it by any name you like—full employment, full production, or plain, ordinary "good business conditions"—we do have universal agreement that that is what we want.

The only question is: how do we go about getting it?

To begin with, we may as well agree that Government can't get it for us. We can't spend our way into good business conditions just by dipping freely into the Federal treasury. We can't legislate full employment and full production into existence. At the very most, Government can do no more than make it possible for our free economy to operate at full speed. What Government does in that field can be extremely important, and I doubt that we can get a sustained level of prosperity unless Government does its part wisely and efficiently. But in the last analysis a free competitive economy has to be what its name implies—an economy that depends for its dynamic power on the free play of market forces to effect the best utilization of the nation's resources. It must be an economy that is determined to realize its own potentialities to the utmost, and it must find within itself the leadership that will carry it on to ever higher levels of production.

When we talk about moving ahead toward a higher and more permanent kind of prosperity than we have ever had before, we are talking about a program in which business must take the initiative and bear certain risks. It is up to Government to encourage that initiative and to cushion those risks. The Administration's program is based upon that assumption. It wants to make it possible for business to do those things which only business can do. The proposed full employment legislation is fundamentally a declaration of policy and an assumption of responsibility by the Federal Government that it will assist and not hinder the private enterprise system in operating at a high level of production to bring about adequate employment opportunities and a better standard of living for all.

Toward the same objective, the program of the Department of Commerce within the framework of the general welfare is designed to provide all possible help for business. It is the department's job to promote business: to provide services that business can't provide for itself, to speak for business in Government, and to work for a climate of public policy favorable to business expansion. The department's efforts have been and will continue to be devoted to advancing all legitimate competitive business interests.

It is with these general goals in mind that a plan has been developed for strengthening the program of the department. Under this plan, the department will undertake to provide:

1—Revitalized foreign trade promotion services.

2—Management aids, technological aids, marketing aids, and other forms of direct service for business.

3—Strengthening of the technical bureaus and offices of the department.

4—A strong, balanced program of current and "benchmark" statistics and a complete analytical program to give business and Government current information on the economic situation and business outlook.

The recent announcement of the department's statistical program, centered in the Bureau of the Census, has met with an enthusiastic response from virtually all segments of business and industry. It is planned to supplement the statistical program with a greatly strengthened analytical program in the Bureau of Foreign and Domestic Commerce. Considerable progress has been made in recent years in the keeping of the national accounts—in the department's analysis of the gross national product and national income. These data, which the department has an obligation and responsibility to make available, have been widely recognized as useful management tools by business and industry.

The development of the outlook service in the Department of Agriculture has contributed materially to the increased efficiency of American farm production. Without question the development of a parallel service for business would provide management with a better factual basis for conducting business activities. It is, of course, important to emphasize that forecasts of future business activity are based on business and industrial averages and always involve assumptions which may or may not come to pass. For these reasons there are definite limitations in applying business outlook projections to individual companies or even to specific industries. The averages which serve as a basis for forecasts do not apply to all individual companies. Moreover, management is always entitled to question general assumptions made in the forecasts as they may apply to a particular business.

Nevertheless, I believe that you will agree with me that analytical materials of this type, descriptive of the current business situation and including the best possible judgment of the business outlook, will serve as valuable beacons in the channels of economic activity. The success of the department's program will in large measure depend on the amount of cooperation, guidance and assistance the department receives from business in making available facts on current events and informed judgments on future trends.

These and the other elements of the department's program which have been described at greater length elsewhere are designed to help business meet the challenge of the postwar world. Let's get a clear picture of the problem that faces us. We want a sustained high level of investment, of production, of employment, of profits. We are agreed, I think, that if we get that we are going to get it as a result of action by industry, with Government helping where Government help is necessary. But precisely how is it going to be possible for us to get it?

We know, to begin with, that there isn't any physical obstacle to prevent us from reaching our goal. American industry proved during the war that it **can** reach just about any volume of production that is required. What we are up against now is a problem of financing this production by consumer purchases instead of Government deficits. What markets do we need, in order to keep our industrial machine working comfortably close to capacity? Where are we going to find those markets?

Our foreign trade is going to be important, of course. We have got to do our part to help the rest of the world get back on its feet, and after that has been done we can have an exceptionally large market for goods and services abroad. But we are not going to attain full production solely by a process of expanding our foreign trade. We shall remain primarily dependent on the domestic market.

Obviously, the answer isn't simply one of raising wages, then raising costs, then raising prices, and going on into a vicious spiral of inflation. What we do need is a genuine increase in mass purchasing power. We are up against nothing less than the necessity for raising the American standard of living—well above prewar levels—and that means making more goods and selling more of them to more people than ever before.

Public services performed by Government will be on a broader scale than in the prewar period, but that in itself will not bring the kind of increase in the standard of living that is possible. The job is one which must be done primarily by industry and labor. Satisfactory profits for stable enterprises and higher rewards for venture capital in new undertakings are essential. At the same time real purchasing power in the hands of consumers of all classes must be adequate to sustain the new rate of production. This can come about through increased money earnings, lower prices or improved quality of product. Probably all three factors should be present in some degree, but with varying emphasis in particular industries according to circumstances.

A high level of consumer spending would mean that industry could operate on a high break-even point. I would like to suggest that in the past the break-even point has often been too low. It had to be low if industry had nothing better to look forward to than, on an average, an operation at two-thirds of capacity, or thereabouts. Obviously, business has to operate at a profit; the sensible businessman has to charge enough in good years to tide him over the bad years. If business and industry are doomed to operate at two-thirds of capacity, year in and year out, businessmen inevitably must set prices so that they can make money at two-thirds of capacity operations. But if we succeed in reaching a higher operating level, and if the wide swings of the business cycle can be minimized, the low break-even point is no longer essential.

All of which is simply another way of saying that the salvation of American industry—and of the American economy and our free enterprise system itself—lies in a process which is perfectly familiar to all of you: technological improvement, greater productivity, expanded production, expanded consumption and increased profits based on high volume rather than high prices. We must find the golden mean in distribution which will assure adequate return to capital, to provide both the incentive and means for profitable investment, while simultaneously providing consumers with mass purchasing power to absorb high levels of production.

American industry has outstripped the rest of the world by far in its genius for production. American industry's war record speaks for itself on this score. But genius for production, by itself, is not enough. Genius for production must be coupled with an understanding of the principles of distribution which will enable the productive machine to keep producing. This is nothing new to American industry or to this Association. What is needed is wider acceptance and wider application of this principle, which our mass production industries recognized long ago in paving the roads towards high volume production, lower prices and mass markets. In this way and only in this way, as far as I can see, lies the possibility of sustained prosperity.

IBA GROUP CHAIRMEN

SOUTHERN

Albert S. Hill

MISSISSIPPI VY.

Garfield J. Taussig

I sincerely believe—and my belief is supported by the best available statistical analysis—that business, once the current flurries are over, can look forward to a few years of unprecedented peacetime prosperity. It seems clear to me, also, and I believe it is to you, that expanded production requires expanded demand to sustain it, and that the worker's purchasing power looms very large in that expanded demand. In addition, I believe that increased output per worker is essential to a steady rise in real wages. In this connection there should perhaps be further effort between management and labor to reach agreement on an incentive wage method of compensating increased productivity in such a manner as to assure both adequate incentive for investment and maintenance of mass purchasing power.

Both inflationary and deflationary forces are at work in our economy. On the inflationary side there are huge backlogs of deferred demand for durable goods—amounting, in some cases, to several years' normal production. Back of these demands are swollen wartime savings. The pressure of these demands and these savings is being felt in markets where production is still restricted.

But in the very nature of things this inflationary force is not apt to be very lasting. Production is going to expand greatly in the next two years. The back-log of wartime demand will taper off as supplies again become abundant. If we hold the line on prices during the immediate future, this inflationary pressure should soon be dissipated.

The deflationary forces threaten to last a good deal longer. The unemployment that will probably appear next spring will not easily be wiped out, even if we do get a level of over-all production that by prewar standards would seem very high. The drastic cutbacks in war production are reducing the income of wage and salary earners. Furthermore, farm prices are very sensitive to any drop in consumer purchasing power. As long as the economy operates at a level substantially below full employment, greatly reduced farm income is in prospect. What we must face, therefore, is the fact that the collective incomes of both farmers and wage and salary earners are going to be substantially smaller in the next few years than they have been during the war. But these two groups make up the bulk of our consuming population. With such a cut in buying power, no industry can expect its position to be long maintained. Over the long run, in other words, the danger of deflation seems to dominate the picture.

President Truman's policy represents the simplest, most direct way of dealing with these conflicting forces. In effect, it says: The way to prevent inflation is to hold the line on prices. And the way to prevent deflation is to maintain the volume of purchasing power in the hands of the consuming public.

The long-run solution to our problem lies in the direction of seeking profits through mass production and mass consumption. In that way we shall be able to achieve our basic objective of increased sales and sustained employment. Enormous stakes are involved in the widespread recognition and successful working out of this principle. It is doubtful that our form of economic organization can survive such repeated shocks of depression as we experienced in the 1930's.

The key to the problem of sustained high levels of production, employment, and sales may well be the key to the preservation of our free enterprise system and our economic liberties as we know them. Our free enterprise system which has produced a higher standard of living for the American people than any ever achieved by any people through any other system must be preserved. I am convinced that it can be preserved. But it will require the cooperation of all elements of our economy and a high order of statesmanship on the part of business, labor and Government leaders. We cannot afford to sell the American system of free enterprise short with short-sighted policies and actions based on short-run considerations. I believe you will agree with me that no conceivable immediate gain is worth such a price.

Moving ahead vigorously now may involve some risks; it can also bring very great gains. There are outstanding historical examples in American industry of courage and vision by management in risking capital for the sake of mass production economies foreseeable only in the future. Capital today is in a good position to take such risks. Labor is in a good position to supply the cooperation that is vital for the expanded industrial production which is essential to a higher standard of living. And the nation as a whole will expect nothing less of all of us than that we do our level best to follow and to preserve the traditional American pattern. We cannot afford to fritter away our national assets and undermine our free enterprise system by shortsighted and selfish conduct on the part of any element of our economy.

We **can** have full production and full employment on a sustained basis. You gentlemen, as the managers of our outstanding industrial enterprises, must lead the way. Government can help to provide a favorable climate and can protect the economy against a disastrous decline. The real task is in your hands. The initiative is yours. And yours, also, in beginning the second 50 years of your Congress of Industry, is the greatest opportunity any businessmen have ever faced.

Revising the Holding Company Act

(Continued from page 2709)

is a hard task and perhaps a thankless one.

We feel we have a right to expect a spirit of cooperation from the Securities Exchange Commission that will bring to us unbiased, impartial, and judicial analysis of suggestions offered and constructive recommendations for implementing, clarifying, and improving the Act to better serve sound public policy.

We feel we have the right to expect a spirit of cooperation from the industry that will bring to us the facts in their simple realities, clearly delineating between any advocacy of self interest and recommendations for the common good.

We feel that sound law and good administration should build faith and trust in each other as between industry and the Government's agencies.

No Ground for Distrust of SEC

I decry the feeling that the Securities Exchange Commission and industry have in common a mutual mistrust of each other.

Let there be an end to chaos and doubt and punitive and defensive acts, or need for punitive or defensive action.

Rochefoucauld says, "Hypocrisy is homage that falsehood pays to truth." Our Committee wants the truth and we have no welcome either for falsehood or hypocrisy.

We cannot look with favor on either fantastic theories or ruthless practices.

If I may divert at this point to a personal view, it is my personal opinion that competition should be equalized between public and private enterprise.

I have seen in widespread areas of our national economy—tax exemption tipping the scales against private enterprise in favor of public or collective ownership.

I believe that collectivism or communism can stand only on the strength of its propaganda. I know its claim to equality in the sharing of the benefits of production is a myth.

Economics are made of facts, not fancies.

Private Operation vs. Collective Ownership

If we are realists and both examine our own national experience and go abroad for the experience of others, we can only be convinced that the American system of private enterprise and individual opportunity is the world's best system of national economy. No other system, by comparative factual analysis, can enter even the realm of competition with the American system. Those conclusions are the inevitables based only on the facts and figures—on the mathematics of economics apart from the added weight of value in the individuals' personal liberty. The American system of private enterprise has worked well. It never should be abandoned.

Collective ownership is growing in America in almost every phase of our economy. Tax exemption for collective ownership is an illusory concession creating real inequities and unjust burdens on all of us who are not the direct beneficiaries of the specific project. In the field of public ownership of utilities the people are victimized by devices for financial manipulation and are persuaded by dishonest accounting.

The American taxpayer is beset with a million "snares for the unwary." He is not awake to the realities. He is a somnambulist, sleep walking now but soon to be rudely awakened by the hurt of these hazards. He is whip-sawed coming and going in these expansions of collectivism, but he does not know it yet.

Many people join the march of collectivism with "hand-me-down" or ready made preconceptions and never stop to check whether they are true or false.

Equalization of competition between public or collective ownership and operation of enterprises and private ownership and operation of enterprises will bring out the facts and test truly the values. Then the claims will be fairly tested and the people will find with Jerome Frank that "We have been cock-sure of many things that simply are not so."

Psychological waves of irrationalism and functicism have swept the world in many periods of history. The mania of witch-burning, the madness of Naziism, the fallacy of communism, all have a cousinship with any sweeping fad or craze or mania whether it be miniature golf or Ku Klux Klanism. Wishful thinking dominates mass behavior and add to it the moving power of sentiment and human psychology will invent a justifying theory for behavior however irrational.

The wishful thinking of those who are honest advocates of public ownership has invented theories that justify tax exemption, or tax evasion; that justify almost any device or expediency. The credulity of the unsuspecting and sincere advocate of collective ownership of public utilities is played upon not only by the demagogue who covers up great and long range benefit with enticement to prompt the petty advantage but also by the shrewd promoter and the wizard manipulator.

On this stage absurb performances occur. The unsuspecting public is made stooge to the financial prestidigitator. The lamb of the rural district lies down to bed with the wolf of Wall Street. The black leg and the puritan are wed, and wishful thinking invents a theory to justify it.

In Omaha and in Puget Sound the buyer went to market to buy some wool and laid down his money for a fresh shorn lamb.

The wily opportunist ever searching for the easy plum to pick has found a new crop for his harvesting.

Correctives In Holding Company Act

The wolf of Wall Street is huffing and puffing again and this time he has a new disguise that I have, I think, properly labeled—"Swindle Incorporated."

Believing that Government is under oath to serve the public interest, I hold that we cannot ostrich-ize our vision against a seeing eye knowledge of such performance. If the Holding Company Act can be implemented to bar such doors, then it should be so. The Federal Power Commission, Securities Exchange Commission, and Internal Revenue, should be marshalled to combat that wrong. And these agencies of Government should have an arm long enough and a sword sharp enough to cut down such crime where e'er it raises its serpent head.

And now speaking again of the committee's work, I might say,—and so it is that these special cases involving questionable transactions have been brought also into the forum of our deliberations.

We have in the forum of our Committee a scale on which to weigh public burdens. We trust the scale is correctly balanced to register the full weight of public interest. We trust that our eyes are focused to truth, our minds attuned to justice, and our processes considerate and fair.

We know that our acts will be cautious and restrained by judicious care. We feel that the results of our study will justify the arduous labors of our task and that what is finally done by the Committee will be done well, as it will be done faithfully. We hope in the end results we can have the unreserved approval of our critics as well as those more favorably inclined. On the Holding Company Act we contemplate no sweeping change, no wide nor radical departure, but we do contemplate constructive improvement and an implementation to the full extent, but only to the extent that deliberate care, studious research, caution and wisdom clearly dictate.

Full Production Means Full Employment—Plus

(Continued from first page)

other hand, the past year has given me a rich experience. So, for the rest of my life, I shall look back upon this crowded year with sincere gratitude to you who made it possible.

The year that it has been my honor to be your president has been a notable one for the world, for our country and for the National Association of Manufacturers. I am sure, however, that little purpose would be served here by undertaking to review even the major developments of these 12 months. Nor would it be fruitful to try predicting the problems which we will face in the year to come.

Problems Ahead

There will be many problems. There will be problems of production and of wages and of prices; there will be problems of taxes, of strikes, of crippling Governmental controls, continued despite the return of peace.

We will have to tackle all of these with courage and with vision. But our most important responsibility will be to understand them in their proper perspective; to realize that these many problems stem from the one dominant problem of our day and age—the problem of creating lasting prosperity in these United States.

The depression-spawned fear of economic insecurity is our real enemy. Cure it, and the public will be as cold to the blandishments of the panacea-peddlers as a convention of the American Medical Association would be to the spiel of an itinerant snake-oil doctor. Ignore it, and we feed a public psychosis which is an open invitation for demogogic attack upon every feature of our competitive enterprise system.

How can we make a frontal attack upon this problem of lasting prosperity—not prosperity for a few, or prosperity for one group or one section at the expense of others, but full and lasting prosperity for the nation as a whole?

Production Is Panacea

You know the answer to that question. You know that it is to be found in just one word—PRODUCTION. With full production we can have full prosperity, which means, not only full employment but full employment PLUS—full employment PLUS better wages based upon production; full employment PLUS an ever increasing standard of living based on a greater output of goods at more and more attractive selling prices; full employment PLUS economic, social and cultural progress; and, above all, full employment PLUS the preservation of that freedom of choice, both economic and political, which has been, and must continue to be, the fundamental right of every American citizen.

Full production with full employment PLUS is an attainable objective for this nation. It is attainable if we will stop just hoping for it and all of us get down to work. We have the natural resources. We have the raw materials, the labor force, the productive capacity and the managerial know-how. We have all that it takes to give Americans a prosperity and security without parallel in the history of the world.

But we cannot reach this objective by drifting or idle promises. Time may heal all wounds, but it takes more than time to solve economic and social problems. It takes foresight. It takes wise, positive action.

First, we must take whatever steps are necessary to assure that there will be an adequate flow of private capital into productive job-making activities. Without such a flow of capital, there cannot be that growth of productive resources necessary to provide jobs for our growing population. Without such a flow of capital, we cannot turn out the increased supply of goods essential to a rising standard of living for our people.

Unfortunately, there is much misunderstanding in this country as to what is involved in the problem of assuring an adequate flow of private capital into productive channels. This is especially true among those who have been trying to do our over-all thinking and planning for us. Too many of these do-gooders assume that if the policies they recommend seem to be economically sound, there is no reason why investors should not be willing to go right ahead risking their savings. They assume, too, that if their policies leave enough leeway to make a profit which appears adequate to them, then investors also should be satisfied. And when their assumptions are questioned, they say that it is proof that "capital is on a sit-down strike," or charge that capital is trying to "sabotage the Government's social policies" and that investors are "putting property rights above human rights."

Essentials for Investment Flow

In a totalitarian economy, the problem of investment may be as simple as that. But it certainly isn't that simple in this country. We have never had here what may be called "THE investor." We haven't even a group of investors who act as a unit. But we do have tens of millions of investors, each of whom makes up his own mind whether he will risk his funds in productive enterprise. If we are to have adequate private investment, therefore, we must:

First, have a tax system which makes it possible for savings to be accumulated;

Second, we must have Government policies, on taxes and otherwise, which do not destroy the willingness of those with savings to put their funds to active use; and,

Third, we must have a labor policy which does not result in wages taking so much of the gross income of a business that there is nothing left to maintain adequate reserves and to give a decent return to those who risk their funds.

It is important, therefore, that our tax system permit the accumulation of savings to be invested profitably in productive enterprise which will supply jobs and more jobs. Our present tax system needs an intelligent overhauling to accomplish that purpose.

The income tax should be held to a level which will not discourage individual endeavor. Taxes on capital gains discourage production and job-making and should be eliminated. Taxes on corporate business should be set below the point of discouragement. And a fair method should be devised to eliminate the double taxation of corporate income.

If business is to be the job-maker, it is as economically—if not politically—important to stimulate its incentives as it is to encourage the incentives of labor.

The importance of assuring an adequate flow of private capital into job-making activities simply cannot be over-exaggerated. Eliminate that flow—as we have pretty well done during the last 15 years—and our economic and political system must ultimately collapse, no matter what is done in any other direction.

Special Privileges

The second broad line of action which I think we must follow, if if we are to reach our goal of full production and full employment PLUS, is in connection with special privileges. Now I know that there is room for argument on just what is, or is not, a special privilege. I realize how easy it is for each one of us to think that what is done for me is good sound

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THE
COLUMBIA SYSTEM

Serves 1,600 communities
in a territory where more
than 5,000,000 people live
and work.

COLUMBIA GAS & ELECTRIC
CORPORATION

Prospective Cost of Government in United States During 1947-1951

(Continued from page 2707)

about $45 billions in taxes, the rest being huge deficit financing. Governments have commonly resorted to deficit financing in war and, as Adam Smith puts it, to avoid making the war not unpopular. In this case, little cynicism is needed to conclude that the amount of the deficit was productive of the objective sought but that the quiet acceptance of so much prodigality by the general citizenry indicates a degree of civic corruption auguring ill for the future in economy. The extent of this extravagance overreaches the classical examples of all history, none of which survived happily their lesser degree of misfortune.

It is against this general weakness to spend that the appraisal of the ensuing five years of governmental costs in the United States must be made. Trying to avoid bias and simply judging candidly, one can weigh the position of government, the duties and compulsions with which it is presently saddled, the common expectancies (nowhere disavowed) with which it is confronted, the general trends which it has displayed, and a conclusion can be reached as to where it moves in the realms of cost. For it is the *quo fata trahunt* of the great Republic at this pinnacle of all earthly power.

The Prospect of Military Costs 1947-1951

The total war costs of the United States Government during fiscal 1945 are given as $97 billions, which together with civil costs of $8 billions, makes the total of cost at $105 billions. This war cost as stated, however, includes indirect military costs. As all together the direct military establishment comprised some 11,500,000 men, the unit cost per man was approximately $8,500.

The military cost, having been the greatest bulk of recent government expenses, is the dominant factor in prospective government outlay.

In 1935 the Army with a personnel of 138,000 men cost $489 millions, or about $3,500 per head, while in 1936 with 166,000 men the cost of $619 millions gave a unit cost of some $3,700 per head. With the rise in wages, standards of living, and expenses additional to being quartered in foreign stations, the man cost per year of the Army during 1947-1951 will scarcely be less than $5,000.

In 1935 the Navy had an active personnel of 93,000 men costing $436 millions and in 1936 had a personnel of 103,000 men costing $529 millions, or a unit cost of $4,700 and $5,100, respectively. The man year cost during 1947-1951 may be expected to reach nearly $7,000.

Differently from the Civil War and World War I, the military establishment of the United States will not decline with the same speed and degree after this war. It will remain to police both Germany and Japan, it will retain distant bases in the Atlantic and Pacific and on foreign shores for years to come. The soldiery must be transported, maintained and returned from the far reaches of the world. The latest devices and inventions must fly the conscripts swiftly, the most modern gadgets must be installed in their huts in icy climates or on sultry shores, and the latest in jovial recreation must rouse the recruit from his nostalgia in foreign land.

It is not apparent that the garrisons without the United States will be less than 700,000 to 900,000 men in the next five years. Nearly as many must be in training or in reserve in the United States, at least. Even without a program of compulsory military training of one year for all 18-year-olds, an army of less than 1,400,000 is not to be reckoned upon in the period 1947-1951, as a low, and it is likely to be somewhat more. A garrison of 200,000 men in Germany, 500,000 in Japan and Asia and 100,000 elsewhere scattered would apparently constitute minimum foreign forces for the Army.

The Navy likewise can only be reduced in force to a position commensurate with the duties of policing the seven seas, supporting the Army on its distant posts, maintaining naval and air stations and transporting men and supplies in a constant stream to the ends of the empire. Under such conditions it is unlikely that the Navy will abandon much above 75% of its present size. A naval establishment of 600,000 men is a most probable expectancy during the next five years.

For eyes open or shut the United States has become an imperialistic power and the first call of the imperium is armed force and the imperium has external and internal enemies to that way of life, even assumed unwillingly. It may then be estimated that the military costs of the United States will be heavy after the peace as its forces of war walk on foreign strands, uneasily regard a fermenting world and anxiously search for something better than atomic bombs in case of rebellion or turmoil.

The manpower and cost requirements of the United States in the intervening years 1947-1951 would appear to be these, approximately:

	Military Personnel			Total Cost
	Army	Navy	Total	in $ Billions
1945	8,300,000	3,200,000	11,500,000	97.0
1946	5,500,000	2,500,000	8,000,000	45.0
1947	2,400,000	1,200,000	3,600,000	20.4
1948	1,800,000	800,000	2,600,000	14.6
1949	1,600,000	700,000	2,300,000	12.9
1950	1,500,000	600,000	2,100,000	11.7
1951	1,400,000	600,000	2,000,000	11.2

And in the above there is no element for the one-year military training program. Furthermore, the foregoing are by no means the larger estimates of what is militarily desirable or politically advisable.

In matters of imperialism, to be successful, there is a choice between a lesser striking force acting promptly and vigorously and a larger force more slowly moving in menace to actual or brooding enemies. And republics being dilatory in moving swiftly in their defense usually must prepare themselves, after sad experience, to have ample forces available to counteract their slowness to act promptly and decisively. Hence it is to be concluded that the United States will not disband so readily as at the end of former wars but that with the memory of World War I experience it will tend to keep a military establishment of this size estimated and that it will tend to become more imperialistic rather than abandon this role unwillingly assumed. For while the great power of the United States is triumphant today over all of the world, yet the plaudits to the victory do not endure and the benefactor of today is sullenly regarded on the morrow. For the master of the world must cross and repress the expressions of others to grow, to expand, to take, to enrich themselves, and this constriction of the freedom of others, while it may bring peace from combat, yet it brings hatreds also.

The second largest cost of the Federal Government over the continuing years is the Federal debt which will total some $285 to $300 billions at June 30, 1946, closing the 1946 fiscal year. This debt incurs an interest charge of less than 2% during war years but when consolidated after the war will tend to have an interest charge of about 2% or just slightly more. The interest on the national debt is expected to amount to above $6 billions per year in 1950, a figure universally accepted. A long discussion of this interest then need not be made.

The remaining major items of prospective Federal expenditures are not of the magnitude of the military establishment or the interest on the public debt. As items, they are currently discussed and generously endorsed by the public press and munificently expounded by political aspirants of public fervor and large popular favor.

Unemployment relief and assistance, aids to agriculture, public works, veterans' benefits and assistance, all have widespread public approbation.

The rehabilitation of the distressed world abroad meets with considerable general consideration and loans and assistance have been a recent policy. England would like $2 billions a year to sustain her economy. Russia would like loans of $6 to $10 billions. Our rescued friends on the continent as well as our defeated enemies look toward us with supplication. To our Allies we extended lend-lease of $39 billions in four years, and chiefly in two. It is likely that the restoration of the fallen world will cost us above $20 billions in the next five years in loans of a dubious nature and gifts of a positive kind for all sorts of ends, rebuilding destroyed facilities, improving damaged and deteriorated ones, removing wretchedness in occupied territories, facilitating commerce, supporting faltering monies and exchange and doing good in general, directly and indirectly.

A fair basis for all of the remaining costs of the Federal Government are shown in the accompanying table which tabulates the whole expectancy into resounding totals:

Table of Federal Governmental Costs

(Millions of Dollars)

	Total Government Costs	Nat'l Defense	Relief & Work Relief	Aid to Agriculture	Public Works	Veterans Admin. and Benefits	Interest on Debt	Gen'l Government	For'gn Loans, Relief and Works
1938	$6,977	$1,029	$2,142	$804	$649	$582	$926	$632	
1939	8,361	1,206	2,925	1,159	872	557	941	656	
1940	8,824	1,657	2,291	1,491	866	557	1,041	718	
1941	13,862	6,301	2,144	1,208	709	563	1,111	683	
1942	33,980	26,011	1,691	1,141	659	556	1,260	727	
1943	79,604	72,109	879	1,029	535	602	1,808	769	
1944	105,235	97,000	550	924	402	881	2,700	916	
1945	105,235	97,000	550	924	402	881	3,600	916	
1946	60,400	45,000	600	900	400	1,800	4,500	1,200	$6,000
1947	36,800	20,400	600	1,000	800	2,400	5,200	2,400	4,000
1948	29,800	14,600	600	1,000	1,200	2,400	5,600	2,400	3,000
1949	30,500	12,900	1,500	1,400	1,200	2,000	6,000	2,500	3,000
1950	29,300	11,700	2,000	1,400	1,400	2,000	6,200	2,600	2,000
1951	30,300	11,200	2,400	1,600	1,600	2,200	6,500	2,600	2,000

The foregoing estimates are more easily amplified than cut down. The social assistance in particular promises to surpass these figures given without too much difficulty, if the need presents itself.

The cost of the Federal Government has risen sharply after each of its two major wars of the last 100 years.

	Average Yearly Cost of Government	Civilian	War	Pensions and Veterans	Interest	Other
		(Thousands of Dollars)				
Civil War Era:						
1851-60	$60,163	$21,233	$27,781	$1,537	$2,776	$6,841
1861-65	683,785	25,894	612,083	4,858	34,601	5,349
1866-70	377,642	54,525	156,199	23,428	135,441	8,050
1871-75	287,460	68,635	63,513	30,684	111,580	13,048
World War I Era:						
1910-14	705,045	169,930	306,696	166,031	22,207	40,181
1915-17	1,157,442	509,549	432,867	164,832	23,516	27,478
1918-19	15,660,361	6,297,990	8,575,591	289,207	404,480	93,093
1920-24	4,603,951	1,322,456	1,296,095	616,674	1,001,745	366,981
1925-29	3,700,040	737,741	660,961	782,332	782,172	736,824

The cost of the national government after both these major wars was above four and five times the cost of government before the wars. The costs in the succeeding peace years have been around one-third the cost of the war years, which percentage-wise is a very large reduction to have made.

To summarize as to national government expenditures, they would appear to pivot around an average of $34 billions per year during the quinquennium 1947-1951, as a rational appraisal. This figure is well above those currently quoted. But, considering the position of this government, its predicament as the most powerful military and economic nation in the world, the complexion of its government, the temper of the times, and the yearnings of its people, this forecast is not probably a whit overstated in totals given.

But these totals are only a large part of the total cost of government in the United States. For there are the States and local governments within the United States and these instrumentalities add their costs to make up the entirety.

Turning from national expenditures to those of the States, there is likewise a great increase in their outgo. For the 48 States we observe the trend:

1919	$625,397,000
1925	1,481,414,000
1930	2,154,779,000
1937	2,876,939,000
1940	3,372,261,000
1941	3,585,459,000

Like the national government, the States have been increasing their expenditures though during the war they have remained quiescent. With the coming of peace it is to be expected that there will be a resumption of the upward trend of State outlays.

Therefore, the development of the pressure for spending by the States leaves an estimate to be made of the years from 1946 through 1950:

1946	$3,700,000,000
1947	4,400,000,000
1948	4,700,000,000
1949	5,200,000,000
1950	5,500,000,000
1951	5,500,000,000

As to the local governments, these had risen after the last war in considerable degree. All together, these units between purely governmental functions, utilities and other service functions have in the years prior to the war absorbed up to $6,600 millions of cost per annum.

These expenditures show in detail a vast rising trend of costs for local government:

1913	$1,607,000,000
1924	4,538,000,000
1928	5,771,000,000
1932	5,727,000,000
1936	5,320,000,000
1940	5,860,000,000

Here again a considerable increase in outgo is to be expected as there was following the price level rise and the increase in scope of activity after World War I. We would expect for calendar years:

1946	$7,200,000,000
1947	8,400,000,000
1948	9,000,000,000
1949	9,400,000,000
1950	9,600,000,000
1951	9,700,000,000

In effect, local government will increase by price and wage rises of between 30% and 40% and by increase in activities some 10% to 15%. The pressure on school costs is particularly intense. Unit costs per pupil, for both teachers and plant, are especially vulnerable to inflation with the common consent. The experience following World War I is not only to be repeated but apparently in an aggravated degree.

The outlook for all government costs in the post-war years is thus expected:

	(Millions of Dollars) National	State	Local	Total
1946	$60,400	$3,700	$7,200	$71,300
1947	36,800	4,400	8,400	49,600
1948	29,800	4,700	9,000	44,500
1949	30,500	5,200	9,400	45,100
1950	29,300	5,500	9,600	44,400
1951	30,300	5,600	9,700	45,600

We have therefore reached, within the tolerable range in error of 10%, the expenditures for government in the United States in the next five years.

It is an astonishing sum of money without relating it to the national income of those years.

National income is expected to be between $110 and $140 billions per annum according to the widely variable estimates of economists and hopeful gentlemen. Present national income for 1945 is estimated at around $160 to $170 billions.

To balance the budget of all American government in the slimest expenditures shown here, the $46,500 millions in 1950, there would be required taxes of 33⅓% on a national income of $140 billions. As 1950 is more likely to be showing recession from the first burst of postwar "prosperity," a national income of $120 billions would require tax rates of nearly 40% to obtain the money to balance total public spendings by the nation.

But it is, however, dubious if a nation of the productivity of the United States can support above 20% of the national income and have great prosperity or maintain a long period of 15 to 20 years of increase in wealth. With taxation above 25%, the failure to advance is certain within a very few years and decline in the national income will result in five to eight years.

The governors of a republic cannot and the masters of a despotism should not tax above these normal limits in peace years without feeling retaliation from the governed.

The governments of Europe after the last war drew back within these limits after a brief excess. Up to the war, governments of and within the United States had not done so. The governors are vulnerable to attack if they persist in the excess of 25% after 1947 and politically are soon done for.

Therefore, it is to be expected that government costs after the war will result in continuing deficits.

Vis a vis to this condition, the issue will be avoided as long as it is possible, in the general experience of mankind. Historically, the United States is pursuing a fiscal course in the classical fashion of those nations embracing monetary troubles of a severe nature. The troubles will therefore appear to the consternation of all and the surprise of most, despite all warning.

Full Production Means Full Employment—Plus

(Continued from page 2785)

public policy, but what is done for you is special privilege.

But that is just quibbling. You know and I know that for years—and I don't mean just since 1933—we have become more and more a nation of special privileges. At some times it has been one group which had the inside. At other times it has been another group. But no matter what group it has been, the net effect has been to create stresses and strains and social irritations. And as the granting and perpetuation of special privileges have extended over more and more of our economy, the underlying situation has become worse and worse, and our economic and political system has become increasingly vulnerable to attack, both from inside and outside.

We have got to clean up this situation! And the only way it can be cleaned up is to get rid of these special privileges. We have got to get rid of, not just a few of them, and not just those which we don't happen to like, but all of them!

I recognize, of course, that this cannot be done overnight. But that does not justify delay in getting started.

Don't think of this as a negative program simply because it may involve undoing things that have been done or repealing laws that are already on the statute books. It's just as positive an action as pulling the weeds out of your garden so that what should be growing has a chance to grow.

Let me give you a couple of examples of what I mean—and I'm deliberately picking hot ones.

The Tariff Question

First, there is the question of the tariff. Now I am not a "free trader." I am convinced that the tariff has played a major and constructive part in the development of this country. But all of us know that the tariff can be, and too often has been, used in ways which benefit only one small group at the expense of the country as a whole. We also know that it can be used in such a way as to curtail production, competition and jobs, and thereby lower rather than raise the standard of living of the American people. And certainly we all know that if America is to maintain her place in the world, and attain maximum prosperity and security, that the tariff must not be used merely as a means for protecting and enhancing the economic position of this or that producer or group. Rather, we must use the tariff as a positive tool for developing and strengthening the basic productive capacity of the nation.

Specifically, as I see the problem, we should continue to use the tariff to protect our markets against Government - subsidized dumping of foreign products and every other unfair method of competition.

Second, we should use either the tariff or subsidies, whichever Congress determines will be the more economical, to assure adequate production of those items essential for national defense.

Finally, in our own self-interest, our over-all national policy should be one of gradual reduction of tariff duties. Such reduction in each case should be continued to that point which will maximize production and consumption under competitive conditions in **this** country. At the same time, the rate of reduction should be such that it does not unduly disrupt our domestic trade and employment, nor offer difficult administrative problems.

But for the moment let's overlook that. What I want to emphasize is the necessity of having a tariff policy which, at every point, will be tested by the gauge of public, rather than private or group, welfare; a tariff policy that will cease absolutely to be an instrument of special privilege.

Special Privileges to Labor

The second example of special privilege I want to mention is that accorded to labor. And just as I am not a "free trader," so I am not a "labor baiter." That is as true today as it was before the Management-Labor Conference. But of this I am sure: labor's worst enemy today isn't reactionary employers. It isn't, as many people think, the poor quality of so much of present labor leadership. Labor's worst enemy today is the shroud of special privilege in which it has been wrapped by its misguided and near - sighted friends. I think I can show that best by reference to some of the things that happened at the Management-Labor Conference.

The management delegates went into that conference with a wholehearted determination to find answers to as many of our present industrial relations problems as possible. And our program wasn't just one of vague generalities. We were prepared with specific suggestions and recommendations of just what, in our opinion, should be done.

Labor, on the contrary, had no such program. It had almost nothing to offer in the way of solutions. And the reason it had nothing to offer became clear very early in the conference. It was because labor prefers to maintain the status quo. Its stock answer to everything suggested by management was "no." And having said "no," it had nothing else to offer.

Labor wouldn't even agree to an effort to define the functions of management, although we made a real effort to get that issue settled. We drew up a list of some thirty odd specific acts, such as the determination of prices, accounting procedure, and so forth, which it seemed clear to us must be reserved to management. Labor refused to accept a single one, and we were told officially by one of the labor delegates that the reason they had refused was that at some future time labor may want to bring any one of these functions into the realm of collective bargaining.

And so it was on almost every problem that was brought up. Labor refuses to accept equality before the law. It refuses to accept responsibilities comparable to those of management. It refuses to give up the right to strike while negotiations are going on. It refuses to accept the sanctity of contracts and to provide a practical means for enforcing their provisions. It refuses to provide any protection to employers, employees or the public against representational or jurisdictional disputes.

In brief, the position of labor today is that it has been legally established in the driver's seat and it is unwilling to give up any of the special privileges involved in this position.

As I said a few minutes ago, I am not a "labor baiter." I'll fight **with** labor against anything that is designed to undermine the basic rights of labor. But special privilege is not the right of any man, or any group of people, in this country. Yet that is what we are up against in the field of labor today—just as a generation or so ago the public was up against special privilege in the field of business. And just as it took legislation to meet the business abuses of those days, so it will take legislation to solve the labor problem of today.

Truman Labor Program Approved

President Truman has made the first move in that direction with his request for statutory authority to appoint fact-finding commissions in disputes of major significance.

Management supported the fact-finding principle in its discussions at the Management-Labor Conference. I hope it also can find its way clear to support the legislation introduced to implement the President's recommendation.

Whether it can do so will depend upon the success with which the legislative proposal safeguards against the following perversions of the fact-finding principle:

1—The fact-finding process should be limited to disputes vitally affecting public health and safety and not to general industry.

2—Fact-finding boards should be appointed "from scratch" for each dispute. We should not establish a single, permanent agency or panel for this purpose. A permanent agency inevitably would establish certain fixed patterns—as did the War Labor Board—which would encourage one party or the other to by-pass the basic collective bargaining and conciliation processes in order to get its case as quickly as possible before the fact-finding group.

3—The board should hear all appropriate witnesses presented by either party, but should have no subpoena power to undertake "fishing expeditions" into the confidential affairs and records of either the union or the company.

4—The board should be limited to the finding of facts; it should not take sides by issuing recommendations for the settlement of the dispute. Such recommendations would be the moral equivalent of compulsory arbitration.

5—There should be strict enforcement of the principle that the status quo must be maintained by both parties during the fact-finding procedure. If management should attempt to modify the conditions of employment, or if the union should order or permit a strike, the government itself should have appropriate rights to enfore sanction to maintain that status quo.

We will need still further legislation in the labor field. But at least we have now recognized openly that labor's admitted right to strike is a right which, in common with all other human freedoms, may be qualified and regulated in the public interest.

As a result of the studies of the Management - Labor Conference, Congress now has some basis upon which to arrive at a sound decision on the exact changes which need to be made in our laws.

Sound Money and Credit System Needed

The third broad line of action which we must follow if we are to enjoy the continuing benefits of full production with full employment PLUS is sound management of our money and credit system, and above all the sound management of our Federal debt.

We must have a stable and clearly-defined monetary unit. We must have definite limits placed upon the credit expansion powers of our commercial banks. We must make interest rates serve as a guide to the degree of strain to which our financial system is subjected. We must make the banking system serve as a handmaiden of our economic system. We must not permit it to attempt to control the volume of business activity. And, finally, we must get the public debt into the hands of those who will hold it as a permanent investment until the bonds are paid off.

These are questions of national fiscal policy to which I do not profess to have pat answers. I am convinced that there is no one person, or no group of persons, who can indicate in detail just what would comprise such sound management. But this problem must be solved. The mismanagement of money and credit and fiscal policy, during the past century, has been second only to war, and perhaps not even second to that, in causing economic distress.

It is of such key importance to have answers to these questions of national fiscal policy that I believe that Congress should create a special committee of experts to re-examine the whole money, banking, and public debt problem and report specifically on what legislative changes are needed and what policies must be followed by the banking authorities in order to assure that we shall realize the maximum benefits from our money and credit system. Through lack of foresight and study we should not again have our whole economic system thrown into a depression through mismanagement in the financial field.

Summary of Proposals

To summarize, these are the three broad courses of action on the economic front necessary to America's continued progress:

1. Encourage an adequate flow of private capital into productive job-making activities, thereby making it possible to have that growth of capital resources which is necessary to provide increased production and jobs for our growing population.

2. Stop the granting or perpetuating of special privileges which hinder production or prevent the flow of goods and services to final consumers at reasonable prices, thereby creating a lack of living standard balance between various groups or various sections of the country.

3. Restudy the money and credit system, and stop maneuvering the Federal debt, so as to avoid converting prosperity into an inflationary boom and lay the basis for more dependable national prosperity.

Now this is **not** a program which business men can unload on others. Individually and collectively, we men of management have got to work **within** the system to make enterprise pay its richest blessings to the people. More, we've got to work **outside** our business in constructively advising government on the corrective moves which I have outlined; not as an expression of personal irritations, or as an airing of our pet prejudices, but in a sincere effort to help all Americans.

In order to have and hold the confidence of the American people, the businessmen of the nation must show them that the objectives of management are predominantly in the public's behalf. We must demonstrate that we favor jobs for all who want to work at wages which will provide an ever-widening area of security for our workers. We must show that we want an ever-increasing flow of goods and services to the public at more attractive prices. We must stand for a high and fairly distributed level of prosperity for all persons, all groups and all sections of the nation.

Development of this leadership in over-all purpose by management is an indispensable "must" of the future. We've all got to be bigger men, of wider interests and

WE KNOW JUST HOW YOU FEEL

We, too, have our hands full this time of year.

For us, December 24 and 25 are always busy days at Long Distance switchboards—and they will be busier than ever this Christmas. There will be unavoidably long delays on Long Distance and some calls may not get through at all.

You will get quicker service a few days before or after the holidays.

BELL TELEPHONE SYSTEM

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The final week of the Victory Loan, in which institutions are entering their subscriptions to the drive issues, finds the Government bond market at all-time highs. . . . "Normal portfolio adjustments" have thus far been taken in stride, with certain issues pushing on to new tops, such as the longest bank eligible taxables and the long partially exempts. . . . Heavy subscriptions were made on Monday for the loan bonds, because the institutional buyers wanted to put their funds to work as soon as possible, in order to save accrued interest, which has been accumulating on these obligations since the 15th of November. . . . These purchases, principally for cash, were for the limit allowed under the Victory Loan formula. . . . Some deferred subscriptions were entered by institutions that have securities which will not be completely liquidated until after the drive is over. . . .

BUYING OPPORTUNITIES

With the last big public financing drive almost history, and the new pattern of financing quite clearly defined—that of issuing short-term low coupon obligations to cut the debt burden, and low interest rates assured for some time to come—any minor price declines in the Government bond market, that may result from adjustments due to the Victory Loan, will be welcome buying opportunities. . . . Under the indicated program of future Treasury financing there cannot be any substantial recession in Government bond prices. . . .

Nevertheless, the market for these securities is still made by human beings, which means that Government bond prices will continue to fluctuate, in the future, as they have in the past. . . . Accordingly one should be in a position to purchase the issues that meet individual requirements during periods of changing prices, which will occur from time to time. . . .

PORTFOLIO CHANGES

Although no late figures are available on purchases and sales of Government securities by the various holders, the most recent Treasury bulletin shows that life insurance companies and other investors were the principal sellers of the 2½s of 9/15/67/72. . . . During the month of August the former disposed of $38 millions and the latter $44 millions, with the commercial banks the main buyer in the amount of $79 millions. . . . In July, life insurance companies sold $30 millions of these bonds, which were bought by the deposit institutions. . . .

Present indications are that the life insurance companies are not selling the longest bank eligible issue in as sizable amounts as they have in the past. . . . Nevertheless other investors still seem to be taking advantage of present high prices to let out their bonds. . . .

The 2%, due Dec. 15, 1952/54, were bought by the commercial banks in the amount of $105 millions in August and $282 millions in July. . . . The principal sellers were other investors, who disposed of $70 millions in August and $237 millions in July. . . . Savings banks let out $29 millions of this bond in August and $42 millions in July. . . .

MORE OF THE SAME

During the month of August the 2s, due June 15, 1952/54, were bought by the deposit banks to the extent of $63 millions, with $34 millions being taken on during July. . . . Other investors sold $39 millions of this security in August, while during July they bought $27 millions. . . . Savings banks sold $18 millions in August and $26 millions in July. . . . Life insurance companies sold $1 million in August and $36 million in July. . . . The 1½%, due Dec. 15, 1950, were taken on by the commercial banks in the amount of $105 millions during August and $333 millions in July. . . . Other investors were the principal sellers of this issue in both of these months. . .

In August the commercial banks bought $57 millions of the 2%, due Sept. 15, 1951/53, and $45 millions of the 1¾%, due 6/15/48, with other investors the sellers. . . . The largest purchasers of the partially exempts were the commercial banks, with these institutions making their most substantial commitments during August in the 2⅞%, due March 15, 1955/60, followed by the 2¾%, due 6/15/58/63 and the 2¾%, due Sept. 15, 1956/59. . . .

These banks made no purchases of the 2¾%, due 12/15/60/65 during August, but this obligation was their largest commitment among the partially exempts in July. . . . The sellers were insurance companies and other investors. . . . The intermediate and short maturities of the partially exempts were disposed of by the commercial banks during August, with the principal buyers, other investors. . . .

VINSON'S POSITION

Secretary of the Treasury Fred M. Vinson in a speech at Indianapolis, Ind., last week, left no doubt as to where the Government stands on interest rates. . . . He stated: "It must be remembered that the burden of the public debt would be greater if the level of interest rates were only slightly higher. . . . A policy of low interest rates clearly benefits the taxpayer by making possible a lower level of Government expenditures and consequently a lower level of taxation than would otherwise be possible." . . .

With the Government in control of the money markets, and conscious of the effect that only a slight increase in interest rates would have on the already heavy debt burden, it seems reasonable to conclude that the Treasury will continue its policy of lightening this load, whenever the opportunity presents itself. . . .

The British announcement that certain 2½% and 3% bonds would be discontinued shortly and that other 2½% obligations would be converted into 1¾% issues, is further proof of the fact that under the modern managed economy interest rates will be what the Government wants them to be. . . . So long as the debt burden is heavy and there is need for long-term capital, as there is in England, the level of interest rates in that country will be low. . . . This trend toward lower interest rates, however, is not confined to England, but is world-wide. . . .

broader understanding of affairs, domestic and international.

There is no doubt that the United States has emerged from this war as the greatest power on earth.

For this is not the end of a glorious epoch. This is not the collapse of our civilization. This is not the decadence of the West. This is not the fulfillment of any of the smearing, socialistic, defeatism charges leveled at our society.

The United States is still a young nation, with vigor in its bones and courage in its heart. It still has seasoned, willing leadership perfectly capable of building the edifice of a better America for all.

Tomorrow's Markets Walter Whyte Says —

By WALTER WHYTE

Resumption of up-trend brings in new buying. Rotating advances in new groups pushing utilities & steels to the fore. Divergence of averages, when, as, and if, may be signal for completion of present cycle.

* * *

In last week's column I warned that indiscriminate public selling was responsible for the sell-off and that soon as it let up the basic up-trend of the market would reassert itself. What worried me was to what extent a public scare psychology could affect prices. Apparently the public selling didn't get far. At least it stopped almost completely Monday morning and by the time the afternoon passed what selling there was changed to buying.

* * *

Oddly enough the buying was attributable to President Truman's latest plan—to appoint a fact finding committee to settle strikes. How the new committee will work out is still too early to say. But if the past is any yardstick of the fuure, the committee will make a lot of noise and bluster and end up about the same place that all such committees end up in.

* * *

But whatever the reason for the resumption of the rally it was enough to remove the fear selling that the General Motors strike started. How long this present buying wave will continue is something else. So long as buyers are in there with wide-open pocketbooks and are willing to pay almost anything to get aboard, so long will they go up. A piece of news can check the advance; if it is serious enough and full of headline inspiration, it can do more than check it. The public being fickle can turn around and start selling just as easily as it is buying today. If that happens, the storm that will be kicked up will be one you'll remember for a long time. At this writing, however, the skies seem blue, and what clouds there are don't look particularly ominous.

* * *

Looking at the price structure through technical glasses, it is all to the good. The lowest point the industrials made during the past few days was during the Thursday session, when they dipped below 190. But the dip merely brought them in line with the opening levels of that day. The rails on the other hand opened that day with a gain, dipped with the industrials, but together with the industrials closed off on the day. The next day, Friday, both averages worked together again. They opened above Thursday's closes and finished the day at about the best levels of the session.

* * *

If I stress the unanimity of the averages it is for the purpose of pointing out that the time to stop looking and begin acting is when the averages start going off in different directions, creating what is called a divergence. When divergence enters the market the shrewd trader starts looking for doors marked, exit.

* * *

In any case there is no divergence present at this writing so it might be practical to take on a few more stocks provided they are still obtainable at specific prices by the time you read this. The stocks are as follows: American Foreign Power 2d Pfd., buy between 35 and 36, stop 34; American Steel Founders between 40 and 41, stop 39; Flintkote between 36 and 37, stop 35. As a matter of fact there is a possibility that these prices will be history by Thursday. So it might be advisable to buy them at the market. But whatever levels obtain then the stops remain fixed. To the above I suggest Pepsi-Cola if obtainable near the 34 level. The reason I pick that price is that it represents the stop point. The same thing applies to New York Central. It looks higher with 31-32 representing the buy point and 28 the critical level.

* * *

You already hold Lockheed at 32½, it's now about 38, and Western Union at 52 which is still about the same price. At this stage of the market cycle I frankly don't care for a stock like Western Union which is behind the parade. A stock which fails to go up with the general market can easily be a dangerous one to hold once they start going down. We'll hold Western Union for one more week. If it doesn't show more pep than it has recently I intend to ask you to sell it.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Eisenhower's Farewell to His Troops

General Dwight D. Eisenhower, who had intended to return to Europe for a last visit with his troops before assuming his new duties as Chief of the United States Army, prevented, as he said, by circumstances from doing this, sent a farewell message on Nov. 29 to the American soldiers who had served under him. The message, issued by the War Department, was sent to Gen. Joseph T. McNarney, who has succeeded Gen. Eisenhower as American commander in Europe, and was addressed "to every member of the United States forces in Europe." It read, according to Associated Press Washington advices: "To each of you—goodbye, good luck, and my undying thanks."

The General's message told the troops that there was yet much to do before the peace which they helped to win "can be firmly consolidated." He added, according to the Associated Press:

"In the memory of those gallant comrades who can never return, and in continued loyalty to the principles of free government for which United Nations waged this war, each of us must give his unremitting best until the job has been fully completed," he said.

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CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Might Versus Right!

(Continued from page 2703)

ticles, trusts, monopolies, "yellow dog" contracts and injunctions in labor disputes have all been prohibited.

Are Strikes an Exercise of Right?

Yet strikes are assumed to be the perfectly normal exercise of a right. If this be true, it is because certain groups of our people are given the right to wage domestic warfare, to employ force to obtain compliance with their demands.

That a strike represents might and not right is occasionally acknowledged even by labor leaders. Thus recently a CIO spokesman, attacking Utah Copper Co., wrote:

"The only way open to the unions to *force* the Copper Company to comply with the decision of the War Labor Board is to strike. The Company will concede nothing on a *basis of reason.*"

It should be apparent to everyone that we cannot progress, cannot rebuild an abundant economy, cannot make a worthwhile place for our returning soldiers if we permit might to overpower right.

Nearly a quarter of a century ago Justice George Sutherland stated the very first requisite for maintenance of government by a free people when he said:

"We cannot maintain a government of laws if the rights of some men are submitted to the test of liberty, and the rights of others to the test of power."

No reasonable man will dispute the truth of that statement, yet we today tell the employer he must "bargain in good faith" with representatives chosen by his employees; we deny the individual employees the free right to select those they wish to represent them and make it possible for an organized minority of employees to coerce and intimidate others into acquiescing in a selection of representatives they would not willingly choose. We do not permit cumulative voting for the selection of collective bargaining representatives of employees. With a straight face we tell the employer to bargain in good faith and watch the labor leader make unreasonable demands, backed by the expressed or implied threat "give in or we call a strike."

Permitting Aggression at Home

We witnessed the Supreme Court of this country say it is all right for racketeers to threaten, and even to attack peaceful farmers trying to take their produce to market, so long as they preface their attack with the words "give me a job," and provided, of course, they belong to a union, since it is only those of us who belong to a union whose rights are now submitted to the test of power and not to the test of liberty.

While asserting a high moral position in international affairs, demanding that right pervail over might, we ignore the issue of morality in using force at home. We are not shocked at a threatened "demonstration" strike by Ward's employees,—an action comparable to the Manchurian border raids between the Russians and Japs; we stand for the "slow down," which is the younger brother of a strike, we permit "featherbedding" and take on the chin the cost of jurisdictional questions and disputes, all of which increase costs instead of increasing productivity. Yet we certainly do know that the only possible way of raising wages without injury to the worker through inflation lies in increased productivity and we know that increased wages follow increased productivity as surely as the day follows the night, if for no other reason than that industry understands that its market grows only with the increased ability of the people to purchase. And that increased ability comes only with increased wages and earning power.

In early days the right to strike was questioned on the premise that it constituted a conspiracy. It was justified solely in recognition of the right of every man to work or refrain from working as he elected. We have now denied every man that right and have said to him "you may not work unless you belong to and pay tribute to that union which, by whatever means, has secured the right to represent the employees of a particular company or industry." Yet we continue to recognize the right to strike even when it is in violation of an express written contract,—a contract entered into as required by the Wagner Act or at least as that Act has been construed by the courts.

Might is hard to down. Right is hard to maintain. Clarence Day, in a little verse summarized it this way:

"Might and right are always fighting
In our youth it seems exciting,
Right is always nearly winning,
Might can hardly keep from grinning."

We may in a sentence state our policy today. It is just this: "We do firmly resolve that right, not might, shall prevail,—except in the U. S. A."

I can conceive of nothing so utterly opposed to the true interests of American labor, of nothing so threatening in its portent, for the pendulum inevitably swings and the distance it travels on the down stroke is measured by the height it attains on the up stroke.

I know of nothing in the past history of labor-industry relations comparable to the present situation. We can but hope that the sound common sense of the great body of American working men will be reflected in demanding such revisions of law as will place employer and employee in a position where true collective bargaining in good faith, and by representatives really of the employees' own chooosing, will be possible.

Harold Chapel With McDonald-Moore & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Harold R. Chapel has become associated with McDonald-Moore & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Chapel was formerly a partner in Crouse, Bennett, Smith & Co.

Bendix Luitweiler Changes

Bendix, Luitweiler & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, will admit Willem van Marle to partnership as of December 6th. J. C. Luitweiler after that date will no longer act as Trustee for Mr. van Marle.

Danforth Cardozo With Pflugfelder, Bampton

Danforth Cardozo, formerly with Bank of New York, has become associated with Pflugfelder, Bampton & Rust, 61 Broadway, New York City, members of the New York Stock Exchange.

Newport News Shipbuilding and Dry Dock Company

Statement of Recorded Cost of Work Performed During the Thirteen Weeks and the Thirty-nine Weeks Ended September 24, 1945 and September 25, 1944

(Subject to year-end audit, charges and adjustments)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	Sept. 24, 1945	Sept. 25, 1944	Sept. 24, 1945	Sept. 25, 1944
New Ship Construction	$20,864,000	$28,714,000	$74,678,000	$89,848,000
Ship Repairs and Conversions	743,000	2,430,000	2,387,000	5,111,000
Hydraulic Turbines and Accessories and Other Work	1,414,000	842,000	3,417,000	2,176,000
Totals	$23,021,000	$31,986,000	$80,482,000	$97,135,000

By Order of the Board of Directors

R. I. FLETCHER
Comptroller

October 18, 1945

NOTICE OF REDEMPTION

to the holders of

NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B, DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Refunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereof, together with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as aforesaid with all coupons payable July 1, 1946, and thereafter attached. Coupons due January 1, 1946, may be detached and presented for payment in the usual manner. Interest due January 1, 1946, on fully registered bonds will be payable only upon surrender of such bonds for redemption. Registered bonds, in cases where payment to anyone other than the registered owner is desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

By A. M. Gottschald,
Secretary

New York, N. Y., September 26, 1945

OFFER OF PREPAYMENT

Holders desiring to receive immediate payment of the full redemption price including interest to January 1, 1946, may do so upon presentation and surrender of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, with the January 1, 1946, and subsequent coupons attached.

PREPAYMENT OFFER

to holders of

PACIFIC GAS AND ELECTRIC COMPANY

FIRST AND REFUNDING MORTGAGE BONDS
OF SERIES I (3½%) DUE JUNE 1, 1966

$49,000,000 principal amount of the above described bonds, drawn by lot, of a total of $49,927,000 principal amount issued and outstanding, have been called for redemption on January 1, 1946.

Holders and registered owners of called bonds desiring to receive *immediate payment* of the full redemption price (including premium and accrued interest to January 1, 1946) may do so upon presentation and surrender of such bonds at the office of City Bank Farmers Trust Company, 22 William Street, New York, or at the office of Pacific Gas and Electric Company, 245 Market Street, San Francisco, or at the office of American Trust Company, 464 California Street, San Francisco. Coupons for interest due December 1, 1945, or prior thereto, if presented with the bonds, will be paid at the same time.

Attention is directed to the fact that not all outstanding Series I 3½% Bonds have been called for redemption. A list showing the serial numbers of the bonds called may be obtained on request at any of the offices above noted.

PACIFIC GAS AND ELECTRIC COMPANY
By RAYMOND KINDIG, *Secretary.*

SOUTHERN RAILWAY COMPANY

To the Holders of Southern Railway Company's

Development and General Mortgage Bonds, 6% Series, due April 1, 1956;

and

Development and General Mortgage Bonds, 6½% Series, due April 1, 1956.

Southern Railway Company hereby extends **until the close of business on Monday, December 24, 1945,** its offer to purchase, for retirement, $5,000,000 principal amount in the aggregate of the two bond issues set out in the heading, at the following prices:

Six Per Cent Series

For each $1,000 Development and General Mortgage Bond, 6% Series ..... $1,180.00, together with accrued interest on the principal amount from October 1, 1945, to December 31, 1945, inclusive, (being $15.00 for each $1,000 Bond).

Six and One-half Per Cent Series

For each $1,000 Development and General Mortgage Bond, 6½% Series ..... $1,220.00, together with accrued interest on the principal amount from October 1, 1945, to December 31, 1945, inclusive, (being $16.25 for each $1,000 Bond).

Bonds should be presented at the office of the Company's Agent, The First National Bank of the City of New York, #2 Wall Street, New York 15, New York. Coupon Bonds must be surrendered with April 1, 1946, and all subsequent coupons attached. Registered Bonds must be assigned in blank or be accompanied by appropriate detached assignments, with signatures guaranteed.

Bonds will be paid for in the order in which presented until the above mentioned $5,000,000 principal amount shall have been acquired, provided, however, that the Company reserves the right (a) to accept such additional principal amount of Bonds, if presented within said period, as it may desire, accepting such proportion of each lot (to the nearest $1,000) presented as the aggregate amount of Bonds in excess of said $5,000,000 determined by the Company to be accepted bears to the total additional principal amount presented, without preference between the two Series, or (b) to reject any amount offered in excess of the first $5,000,000 principal amount presented.

The Agent will pay, with reference to any Bonds presented for account of the owners thereof by any Bank, Trust Company, Member of a National Securities Exchange or Member of the National Association of Security Dealers, Inc. (such Bank, Trust Company or Member not being the owner), a commission of $2.50 per $1,000 Bond.

All Bonds purchased are to be cancelled, and United States Stamp Taxes are not payable on the sale.

SOUTHERN RAILWAY COMPANY
By ERNEST E. NORRIS
President.

Washington, D. C.
December 3, 1945.

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, DEC. 8

SOUTHERN ADVANCE BAG & PAPER CO., INC., on Nov. 19 filed a registration statement for 25,000 shares of 4½% cumulative preferred stock, par $100.

Details—See issue of Nov. 22.

Offering—The company is offering 20,202 shares of the new preferred in exchange to the holders of the outstanding 20,202 shares of 7% and 6% cumulative preferred stocks on the basis of one share of new for each share of 7% preferred and one share of new preferred and $7.50 in cash for each share of 6% preferred. In addition, holders making the exchange will receive a cash payment. The underwriters will purchase any shares of new preferred not issued in the exchange and the shares of 4½% preferred not required for exchange.

Underwriters—E. H. Rollins & Sons, Inc., heads the underwriting group.

S. D. WARREN CO. on Nov. 19 filed a registration statement for 30,000 shares $4.50 cumulative preferred stock, no par value.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—First Boston Corporation heads the underwriting group.

PRESSED STEEL CAR CO., INC., on Nov. 19 filed a registration statement for 85,955 shares of 4½% cumulative convertible preferred stock, series A, par $50.

Details—See issue of Nov. 29.

Offering—The company is offering to holders of its common stock the 85,955 shares of 4½% preferred at the rate of one share of preferred for each 11 shares of common held of record at the close of business on Dec. 10, 1945. Subscription rights are exercisable on or before Dec. 21, 1945, at $50 per share. The underwriters will purchase from the company such share of preferred stock as are not subscribed for and will offer them to the public at $50 per share.

Underwriters—Kuhn, Loeb & Co. heads the underwriting group.

BATES MANUFACTURING CO. on Nov. 19 filed a registration statement for 256,500 shares of common stock, par $10.

Details—See issue of Nov. 29.

Offering—The new shares are being offered first to the company's stockholders at a price to be filed by amendment. Each shareholder will be entitled to subscribe to 1.9 shares for each share of outstanding stock. The underwriters will offer to the public at $25 per share all of the 256,500 shares not subscribed for by stockholders, except as to certain shares offered by First Boston Corp. and Coffin & Burr, Inc., to minority stockholders of the four transferor mills participating in the Maine Mills plan. The First Boston Corp. and Coffin & Burr, Inc., together own individually a majority of the capital stock of Bates as well as of the following four mills: Androscoggin Mills, Edwards Manufacturing Co., Hill Manufacturing Co. and York Manufacturing Co. The First Boston and Coffin & Burr are offering an undetermined number of shares of common stock out of the shares which as underwriters they have agreed to purchase from the company to the minority stockholders of the four mills named above which are participating in the Maine mills plan. The Maine mills plan provides for the acquisition by Bates or its wholly-owned subsidiary, Bates Company, of the plants and certain other assets of the four mills named. Under the plan the original contractors or underwriters will offer to exchange a certain number of shares of Bates stock for minority holdings of stock in the four mills.

Underwriters — First Boston Corp. and Coffin & Burr, Inc., head the underwriting group.

SUNDAY, DEC. 9

NATIONAL DAIRY PRODUCTS CORP. on Nov. 20 filed a registration statement for $50,000,000 2¾% debentures due Dec. 1, 1970.

Details—See issue of Nov. 29.

Offering—The price to the public will be filed by amendment.

Underwriters—Goldman, Sachs & Co. and Lehman Brothers head the underwriting group, which will include more than 100 underwriters.

FANSTEEL METALLURGICAL CORP. on Nov. 20 filed a registration statement for common stock, without par value, the number of shares to be filed by amendment.

Details—See issue of Nov. 29.

Offering—Holders of record of the outstanding common stock will be given the right to subscribe to new common stock, the record date, ratio and price all to be filed by amendment.

Underwriters—Hallgarten & Co., is the principal underwriter.

MONDAY, DEC. 10

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter.

Details—See issue of Nov. 29.

Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.

Underwriter — George F. Breen, New York, is named underwriter.

BRUNNER MANUFACTURING CO. on Nov. 21 filed a registration statement for 100,000 shares of common stock, par $1. Of the total 15,004 shares are to be sold by the company and 84,996 shares to be sold by certain stockholders.

Details—See issue of Nov. 29.

Offering—The price to the public is $7.75 per share.

Underwriters—Mohawk Valley Investing Co., Inc., George R. Cooley & Co., Inc., and Cohu & Torrey.

INVESTORS MUTUAL, INC., on Nov. 21 filed a registration statement for 3,000,000 shares of capital stock, no par value.

Details—See issue of Nov. 29.

Offering—At market.

Underwriter—Investors Syndicate, Minneapolis, Minn.

PHILADELPHIA TRANSPORTATION CO. on Nov. 21 filed a registration statement for $7,000,000 first and refunding mortgage bonds series B due Dec. 1, 1970. The interest rate will be filed by amendment.

Details—See issue of Nov. 29.

Offering—The price to the public will be filed by amendment.

Underwriters—Drexel & Co. is the principal underwriter.

WEDNESDAY, DEC. 12

CENTRAL POWER & LIGHT CO. on Nov. 23 filed a registration statement for 100,000 shares of preferred stock, par $100. The dividend rate will be filed by amendment.

Details—See issue of Nov. 29.

Offering—Central Power & Light Co., Mass., proposes to offer the holders of its 7% and 6% preferred stock an opportunity to exchange their shares for shares of the new Texas concern on a share for share basis plus cash. The dividend rate on the new preferred will be specified by underwriters in connection with the sale at competitive bidding. It is expected the exchange offer will be in effect for about ten days and that the shares of the old preferred stock not exchanged will be redeemed on Feb. 1, 1946, at $120 per share and accrued dividends, in the case of the 7% preferred, and at $110 per share and accrued dividends in the case of the 6% preferred.

Underwriters—The shares will be offered for sale under the Commission's competitive bidding rule, and the names of underwriters will be filed by amendment.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.

Details—See issue of Nov. 29.

Offering—The price to the public is $10 per share.

Underwriters—None. The securities are being offered by the corporation.

WELCH GRAPE JUICE CO. on Nov. 23 filed a registration statement for 20,392.8 shares of second preferred stock, par $100.

Details—See issue of Nov. 29.

Offering—The 20,392.8 shares of second preferred are being offered to the holders of common stock, at the rate of two shares of second preferred for each 15 shares of common held, at $100 per share. Navajo Corporation has agreed to purchase all of the unsubscribed shares at $100 without any discount or commission. Navajo states it will purchase the unsubscribed shares for investment, and not for distribution to the public.

Underwriters—None mentioned.

SATURDAY, DEC. 15

STATE STREET INVESTMENT CORP. on Nov. 26 filed a registration statement for 123,411 shares (additional) of no par common stock, and stock purchase warrants entitling the bearers to subscribe in the aggregate to said 123,411 shares of common stock, to be given to issuer's stockholders of record at the close of business on Dec. 15, 1945. In addition 34,113 shares already issued on Aug. 22, 1944, to be registered to permit the re-sale thereof when and as reacquired by issuer.

Details—See issue of Nov. 29.

Offering — Initial offering of 123,411 shares expected to be made on or about Dec. 24, 1945, through the issuance of stock purchase warrants to stockholders.

Underwriters—None.

O'SULLIVAN RUBBER CORP. on Nov. 26 filed a registration statement for 63,000 shares of common without par value, 6,000 shares of 5% cumulative preferred, par $100 and $500,000 4% first mortgage bonds. Of the common stock registered, 8,000 shares are issued and outstanding and are being sold by Victor Products Corp.

Details—See issue of Nov. 29.

Offering—The price to the public will be filed by amendment. The underwriter will purchase the securities at the following prices: bonds at 95%, preferred stock at $92 per share and common stock at $4.50 per share.

Underwriters—The principal underwriter is C. E. Casbell & Co., Charlottesville, Va. The underwriter has agreed to purchase from the company 5,000 shares of common, 6,000 shares of preferred and $500,000 of 4% first mortgage bonds, and has also entered into an agreement to purchase 58,000 shares of common from Victor Products Corp.

SUNDAY, DEC. 16

WOODALL INDUSTRIES, INC. on Nov. 27 registered 100,000 shares of 5% cumulative convertible preferred shares, par $25.

Details—See issue of Nov. 29.

Offering—The price to the public will be filed by amendment.

Underwriters—Paul H. Davis & Co. is named principal underwriter.

MONDAY, DEC. 17

THE CONSOLIDATED, INCORPORATED, English name of La Consolidada, S. A., a Mexican corporation, has filed a registration statement for 166,667 American preferred shares and 614,667 American common shares. The underlying shares consist of 166,667 shares of 6% cumulative preferred, par 75 pesos, and 614,667 shares of common, par 25 pesos.

Address—Mexico City, Mexico.

Business — Manufacture and sale of metal products.

Offering—Company is offering 166,667 Mexican preferred shares at 75 pesos per share to the holders of Mexican common stock on a pro rata basis. American preferred shares will be issued against any Mexican preferred shares not subscribed for and will be purchased by the underwriters for offering in the United States at a price to be filed by amendment. The preferred shares are convertible to and including Dec. 31, 1950, unless previously redeemed, into American common stock on a share for share basis.

Proceeds—A part of the proceeds to be received from the sale of American preferred shares will be used, either directly or through a subsidiary, to pay for rolling mill equipment and a rolling mill site. Any balance, plus treasury funds, will be used to redeem, at par plus interest to date of redemption, the 7% debenture bonds outstanding in the principal amount of 6,000,000 pesos ($1,200,000) maturing Aug. 14, 1957.

Underwriters—Shields & Co. head the underwriting group.

Registration Statement No. 2-6026. Form C-3. (11-28-45).

SUBURBAN PROPANE GAS CORP. has filed a registration statement for $4,500,000 12-year 4¼% sinking fund debentures, due Dec. 1, 1957, and 493,155 shares of common stock (par $1).

Address—400 West Mount Pleasant Ave., Livingston, N. J.

Business—Will engage primarily in the distribution of "Philgas," a fuel used for household, farm, commercial and industrial purposes.

Offering—The prices to the public will be filed by amendment.

Proceeds—Of the net proceeds, $8,000,000 will be paid to Phillips Petroleum Company as part of the purchase price of the business and properties of the 13 eastern retail districts of the Philgas division of Phillips which will be acquired by the corporation. The balance of the net proceeds will be available for general corporate purposes, the acquisition of the propane gas in bulk storage tanks and for working capital. The corporation was incorporated on Nov. 27, 1945. It has been organized to acquire the business of, and the properties used or held for use in the sale and distribution of liquefied petroleum gas (propane) under the trade name "Philgas" by, the 13 eastern retail districts of Phillips Petroleum Co., located in eight states on the North Atlantic Seaboard and the District of Columbia, and the liquefied petroleum gas business of Suburban Gas Co. which properties are located in New Jersey, New York and Pennsylvania. Suburban will acquire the properties from Phillips for $8,000,000 in cash and $3,000,000 of 15-year debentures.

Underwriters — Eastman, Dillon & Co. heads the underwriting group.

Registration Statement No. 2-6027. Form S-1. (11-28-45).

SEATTLE GAS CO. has filed a registration statement for $4,800,000 first mortgage bonds due Jan. 1, 1976. The interest rate will be filed by amendment.

Address—1511 Fourth Avenue, Seattle, Wash.

Business—Public utility.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be applied toward the redemption at 102½ of $4,678,250 first and refunding mortgage bonds, 5% series A, due Oct. 1, 1954, which the company proposes to call for redemption on April 1, 1946. The company will supplement funds necessary to pay off the bonds and accrued interest from treasury funds.

Underwriters—The bonds will be offered for sale at competitive bidding and the names of the underwriters filed by amendment.

Registration Statement No. 2-6028. Form S-1. (11-28-45).

TUESDAY, DEC. 18

GULF PUBLIC SERVICE CO., INC., has filed a registration statement for 312,500 shares of common stock ($4 par). The shares are issued and are being sold by certain stockholders.

Address—New Iberia, La.

Business—Operating public utility company.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds go to the selling stockholders.

Underwriters—To be named by amendment.

Registration Statement No. 2-6029. Form S-1. (11-29-45).

INDIANA STEEL PRODUCTS CO. has filed a registration statement for $1,000,000 12-year 5% sinking fund debentures with warrants to purchase common stock, and 40,000 shares of common (par $1), reserved for exercise of common stock purchase warrants.

Address—6 North Michigan Avenue, Chicago, Ill.

Business—Maker of permanent magnets.

Offering—The company is offering to the holders of its outstanding shares of 6% convertible preferred stock, which have been called for redemption on Dec. 29, 1945, the opportunity to exchange the preferred at the redemption price of $22 per share, for debentures, with warrants, at par, with cash adjustments for accrued dividend on preferred and accrued interest on the debentures. The underwriters are initially offering $340,000 of debentures, with warrants, for cash sale to the public at a price to be filed by amendment but not less than 102½.

Proceeds—Part of the proposed issue will be issued in exchange for preferred stock. Net proceeds from sale of $340,000 will be used for corporate purposes, including approximately $200,000 for additional machinery and equipment. A further offering of debentures will be made to provide a sufficient amount of cash to redeem the unexchanged shares.

Underwriters—Brailsford & Co., Chicago, and Kalman & Co., Inc., St. Paul.

Registration Statement No. 2-6030. Form S-2. (11-29-45).

GENERAL SHAREHOLDINGS CORP. has filed a registration statement for $2,650,000 3% debentures, due Dec. 1, 1960.

Address—65 Broadway, New York, N. Y.

Business—A diversified, management investment company of the closed-end type.

Offering—The price to the public will be filed by amendment.

Proceeds—The proceeds will be used, with other funds, to pay, at their principal amount plus accrued interest, the corporation's bank loans maturing March 31, 1946, outstanding in the amount of $2,650,000.

Underwriters — Union Securities Corp. heads the underwriting group.

Registration Statement No. 2-6031. Form S-4. (11-29-45).

WEDNESDAY, DEC. 19

PARKS AIRCRAFT SALES & SERVICE, INC., has filed a registration statement for 457,020 shares of common stock, par $1.

Address — Parks Metropolitan Airport, East St. Louis, Ill.

Business—Aircraft sales and service business in the field of personal flying.

Offering—The stock will be offered first to stockholders (except Parks Air College, Inc.), on a basis of three shares for each one then owned, and to the stockholders of Parks Air College, Inc., on the basis of 1.75 shares for each share of Parks Air College then owned. The offering price is $3.27 a share.

Proceeds—The purpose of the issue is to finance the further development of a sales and service business for the personal type airplane, which is a new enterprise for the corporation. The corporation has a distributorship contract for "Ercoupe."

Underwriters — No underwriting — The stock is being offered solely by the company.

Registration Statement No. 2-6032. Form S-12. (11-30-45).

SATURDAY, DEC. 22

ELECTRONIC CORP. OF AMERICA has filed registration statement for 70,000 shares 55 cent cumulative convertible preferred and 100,000 shares common stock $1 par.

Address—45 West 18th St., New York, N. Y.

Business—Manufactures public address amplifiers and public address and recording systems.

Offering—Preferred stock $10, common stock $5.

Proceeds—General corporate purposes, including payment of $150,000 bank loan.

Underwriters—First Colony Corp., Simons, Linburn & Co., Childs, Jeffries & Thorndike, Coburn & Middlebrook, Grubbs, Scott & Co., Hirsch & Co. and Irving J. Rice & Co.

Registration Statement No. 2-6033. Form S-1. (12-3-45).

SUNDAY, DEC. 23

MAREMONT AUTOMOTIVE PRODUCTS, INC. has filed a registration statement for $1,000,000 4% sinking fund debentures, due Dec. 1, 1960. Price to public to be offered by amendment.

Address—1600 South Ashland Ave., Chicago.

Business—Manufactures and sells variety of steel parts used in automotive and hardware industries.

Offering—Price to public to be offered by amendment.

Proceeds—To pay off bank loans, demand notes and balance to working capital.

Underwriters—Kebbon, McCormick & Co., Chicago.

Registration Statement No. 2-6035. Form S-1. (12-4-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

ALASKA AIRLINES, INC. on Oct. 31 filed a registration statement for 125,000 shares of common stock (par $1).

Details—See issue of Nov. 8.

Offering—Offering price to public, $16 per share.

Underwriters—R. H. Johnson & Co. heads the underwriting group.

ALLEGHANY CORP. on Nov. 16 filed a registration statement for 700,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders. These stockholders are Allan P. Kirby, 600,000 shares; Walter W. Foskett, 50,000, and Eunice M. Oakes, 50,000 shares.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—The underwriting group is headed by Otis & Co.

AMERICAN BANTAM CAR CO. on Oct. 18 filed a registration statement for 83,547 shares of prior preferred stock, par $10, and 375,971 shares of common, par $1.

Details—See issue of Oct. 25.

Offering—Under an exchange offer the holders of convertible preference stock will be offered the privilege of exchanging convertible preference for common on the basis of 4½ shares of common for each share of convertible preference under Option A. Under Option B they may exchange convertible preference for prior preferred and common stock on the basis of one share of prior preferred and two shares of common for each share of convertible preference.

Underwriters—None mentioned.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

BUFFALO NIAGARA ELECTRIC CORP. on Nov. 9 filed a registration statement for $56,929,000 first mortgage bonds due Nov. 1, 1975.

Details—See issue of Nov. 22.

Bids Invited—Bids for purchase of the bonds will be received at Room 1800, 15 Broad St., New York up to 11:30 a.m. EST on Dec. 11, the successful bidder to specify the interest rate.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

CAMDEN FORGE CO. on Oct. 29 filed a registration statement for 177,318 shares of common stock, par $1. The shares registered are outstanding shares owned by Union Securities Corp., and constitute all of the outstanding common shares except 12 owned by directors.

Details—See issue of Nov. 1.

Underwriters—Names will be filed by amendment, to be selected by Union Securities Corp.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

FLEMING-HALL TOBACCO CO., INC., on Oct. 31 filed a registration statement for 150,000 shares 6% cumulative preferred stock, par $10, and 150,000 shares of common, par $1.

Details—See issue of Nov. 8.

Offering—The stock will be offered in units consisting of one share of preferred and one share of common at $15 per unit.

Underwriters—Floyd D. Cerf Co. heads the group.

GENERAL INSTRUMENT CORP. on Oct. 25 filed a registration statement for 60,000 shares cumulative convertible preferred, $20 par, and 260,000 shares of common, par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of

the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.

Details—See issue of Nov. 1.

Offering—The price to the public will be filed by amendment.

Underwriters—Burr & Co. heads the underwriting group.

GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAY MANUFACTURING CO. on Sept. 28 filed a registration statement for 95,544 shares of capital stock, par $5.

Details—See issue of Oct. 4.

In amendment filed Nov. 20 company announced that 20,180 shares would be offered to stockholders at $10.25 per share; unsubscribed shares may be sold at any time within year at $10.50. Additional 3,364 shares offered in exchange for all outstanding stock and assets of B. A. Proctor Co., Inc.

Underwriters—None named.

HAMMERMILL PAPER CO. on Nov. 16 filed a registration statement for $5,000,000 20-year 3% sinking fund debentures due Dec. 1, 1965 and 15,000 shares of cumulative preferred stock. The dividend rate will be filed by amendment.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

HOWARD STORES CORP. on Nov. 15 filed a registration statement for 31,525 shares of cumulative preferred stock, par $100 and 75,000 shares of common stock, par $1. The common stock is being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The company is offering the holders of its 31,525 shares of outstanding 5¼% cumulative preferred stock the opportunity to exchange their shares of old preferred for the new preferred stock on a share-for-share basis plus cash payment. The initial public offering prices will be filed by amendment.

Underwriters—A. G. Becker & Co., Inc., heads the underwriting group.

INSURANCE CO. OF NORTH AMERICA on Nov. 15 filed a registration statement for 300,000 shares of capital stock, par $10.

Details—See issue of Nov. 22.

Offering—The company is offering to its stockholders of record Nov. 30, 1945, subscription warrants to subscribe at $40 per share on the basis of one new share for each four shares held.

MAINE PUBLIC SERVICE CO. on Nov. 14 filed a registration statement for $2,200,000 first mortgage and collateral trust bonds due Oct. 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Nov. 22.

Offering—The price to the public will be filed by amendment.

Underwriters—The bonds are to be offered for sale at competitive bidding and the names of the underwriters will be filed by amendment.

MANUFACTURERS CREDIT CORP. on Nov. 13 filed a registration statement for 40,000 shares 6% preferred stock, $25 par, and 40,000 shares of common stock, $1 par, and 40,000 common stock purchase warrants and 40,000 shares of common reserved for issuance upon exercise of warrants.

Details—See issue of Nov. 22.

Offering—The offering price to the public will be $30 per unit, a unit consisting of one share of preferred and one share of common stock

Underwriters—Walter F. Tellier, doing business under the firm name of Tellier & Co., New York, is named principal underwriter.

MARY LEE CANDIES, INC., on Nov. 15 filed a registration statement for 79,228 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The price to the public is $7.87½ per share.

Underwriters—The group is headed by Herrick, Waddell & Co., Inc., New York.

NATIONAL LINEN SERVICE CORP. on Nov. 16 filed a registration statement for 30,000 shares of 4½% cumulative convertible preferred stock par $100 per share.

Details—See issue of Nov. 22.

Offering—The company is offering to holders of its $5 cumulative preferred stock and $7 cumulative preferred the opportunity to exchange their shares for the new shares on a share for share basis, plus a cash payment. The price to the public is $103 per share.

Underwriters—Clement A. Evans & Co., Inc., Atlanta, Ga. heads the group.

THE PANTASOTE CO. on Nov. 9 filed a registration statement for 100,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Nov. 22.

Offering—The price to the public is $5.75 per share.

Underwriters—Van Alstyne, Noel & Co., heads the underwriting group.

PACIFIC TELEPHONE & TELEGRAPH CO. on Nov. 9 filed a registration statement for $75,000,000 40-year 2¾% debentures due Dec. 1, 1985.

Underwriting—The names will be furnished by amendment. The company proposes to offer the bonds for sale at competitive bidding and will receive bids at Room 2315, 195 Broadway, New York, before 11:30 a.m. on Dec. 10, 1945.

PENNSYLVANIA POWER & LIGHT CO. on Sept. 24 registered 1,818,719 shares of common stock, no par and 1,818,700 subscription warrants entitling holders to purchase such stock at $10 a share.

Details—See issue of Sept. 27.

Offering—National Power & Light Co. as holder of all of the outstanding common stock of Pennsylvania Power & Light Co. is entitled to subscribe to 1,818,700 shares of the new common. National is offering to its stockholders of record Dec. 4 the right to subscribe to the new stock on the basis of ⅓ share of new Pennsylvania Power & Light common for each one share of National Power & Light Co. common stock held at $10 per share. Rights expire Dec. 22. Electric Bond & Share Co. has agreed to take the number of shares proportionate to its common holdings in National (46.56%) and National has agreed to take the shares not taken by its remaining stockholders.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102. The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

SIOUX CITY GAS & ELECTRIC CO. on Nov. 9 filed a registration statement for $8,000,000 first mortgage and collateral trust bonds series due 1975; 38,000 shares of cumulative preferred stock, par $100, and 153,006 shares of common stock, par $12.50. The interest and dividend rate on preferred will be filed by amendment.

Details—See issue of Nov. 22.

Bids Invited—Bids for the purchase of the securities will be received at the Board Room at Commercial National Bank & Trust Co., 46 Wall Street, N. Y. City, up to 12 noon EST, Dec. 10. Each bid for bonds and the preferred stock shall specify the interest rate and the dividend rate respectively.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 113,468 shares of class A stock (no par).

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway New York, N. Y.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co. New York.

WASHINGTON GAS LIGHT CO. on Nov. 14 filed a registration statement for 40,000 shares of $4.25 cumulative preferred stock, without par value.

Details—See issue of Nov. 22.

Offering—The company is offering 40,000 shares of the new preferred stock to the holders of its outstanding 40,000 shares of $5 cumulative preferred stock on basis of one share new plus $1.10 for one share old. Unexchanged through underwriters at $104 per share. Company proposes to redeem any unexchanged stock.

Underwriters—Alex. Brown & Sons; Auchincloss, Parker & Redpath; Johnston, Lemon & Co.; Folger, Nolan & Co., Inc.; Goodwyn & Olds; Mackall & Coe; Ferris, Exnicios & Co., Inc.; Robert C. Jones & Co., and Robinson, Rohrbaugh & Lukens.

WESTERN AIR LINES, INC., on Oct. 29 filed a registration statement for an indeterminate number of common shares, par $1.

Details—See issue of Nov. 8.

Offering—A certain number of shares, the figure to be supplied by amendment are being offered to stockholders through subscription warrants, the price and ratio to be supplied by amendment. The shares not purchased through subscription warrants will be offered for sale to the officers and directors of the corporation and/or the public at the offering price per share. In addition, a total of 76,310 shares are being offered to officers and employees at $16.50 per share under an Employees' Stock Purchase Plan and a Management Stock Purchase Plan.

Underwriters—It is not contemplated that the issue will be underwritten.

WILSON & CO., INC., on Sept. 10 filed a registration statement for 250,000 shares of cumulative preferred stock and an unspecified number of common shares.

By amendment filed with SEC company proposes to exchange outstanding 274,085 shares of $6 preferred for new $4.25 preferred stock and to the extent of 50,000 shares of outstanding preferred for company's common stock probably on a ratio of 1 to 5½.

President Not in Favor of Further Big-3 Meetings

President Truman, on Nov. 29, stated at a press conference that he was not in favor of meetings further among the Big Three for purposes of working out problems of joint concern and felt that if the United Nations Organization works as it was intended to it would be adequate to handle the job itself. In answer to questions as to whether revisions in Allied control policy and machinery for Germany might necessitate a meeting of himself, Prime Minister Attlee and Premier Stalin, the President expressed his views, according to Associated Press Washington advices, and at the same time developed the following points:

1. He does not share the fear, which a questioning reporter said some persons in the country hold, that Russia will not cooperate toward world peace or that Russia's policies will lead to war. He was very emphatic in stating that he did not share any such fears.

2. At a later date, the President will discuss fully the international situation, particularly as it involves efforts of the nations to cooperate for peace. The discussion may be at a news conference.

3. Negotiations are now under way among the Allies ruling Germany for a revision of the Potsdam Declaration of Germany in some respects. Chiefly the United States is seeking a modification of the arrangement which requires unanimous agreement among this Government, Russia, France and Britain before any decisions can be made by the Allied Control Council in Berlin. This effort at revision grows out of Byron Price's report on the possible failure of American aims and policies in Germany.

4. Gen. George C. Marshall, the President's special envoy to China, probably will leave for Chungking in three or four days and the instructions which he is finally given may be published. They are yet to be worked out, although Mr. Truman said that Marshall's basic job would be to carry out the policies which we've always had in China.

The President declined to comment at this news conference on the recently announced resignation of Ambassador Patrick J. Hurley from his China post.

DIVIDEND NOTICES

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On November 27, 1945, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable January 2, 1946, to Stockholders of record at the close of business December 19, 1945. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, *Secretary.*

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 159
Common Dividend No. 144
Common Dividend No. 145

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1945 payable January 2, 1946, a year end dividend of 25¢ per share on the Common Stock payable December 28, 1945 and a dividend of 25¢ per share on the Common Stock payable January 2, 1946 have been declared, to respective holders of record December 10, 1945. The stock transfer books will remain open.

E. F. PAGE
November 28, 1945 Treasurer

DU PONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *November 19, 1945*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable January 25, 1946, to stockholders of record at the close of business on January 10, 1946; also $1.50 a share, as the year end dividend for 1945, on the outstanding Common Stock, payable December 14, 1945, to stockholders of record at the close of business on November 26, 1945.

W. F. RASKOB, *Secretary*

GUARANTY TRUST COMPANY OF WNE YORK

New York, December 5, 1945.

The Board of Directors has declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending December 31, 1945, payable on January 2, 1946, to stockholders of record at the close of business December 12, 1945.

MATTHEW T. MURRAY, JR., Secretary.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, November 27, 1945.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 94, on the Preferred Capital Stock of this Company, payable February 1, 1946, out of undivided net profits for the year ended June 30, 1945, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 28, 1945.

The Board also declared on this day a dividend of One Dollar and Fifty Cents ($1.50) per share, being Dividend No. 132, on the Common Capital Stock of this Company, payable March 2, 1946, to the holders of said Common Capital Stock registered on the books of the Company at the close of business January 25, 1946.

Dividend checks will be mailed to the holders of Preferred and Common Capital Stock, who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

DIVIDEND NO. 54

A dividend of Five cents ($0.05) per share will be paid on December 20, 1945, to holders of the Outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business December 8, 1945. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.
Boston, November 29, 1945.

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CELANESE CORPORATION OF AMERICA

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THE Board of Directors has this day declared the following dividends.

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable January 1, 1946 to holders of record at the close of business December 17, 1945.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1946 to holders of record, at the close of business December 17, 1945.

COMMON STOCK

50 cents per share, payable December 31, 1945 to holders of record at the close of business December 17, 1945.

R. O. GILBERT
Secretary

December 4, 1945.

DIVIDEND NOTICES

IRVING TRUST COMPANY

One Wall Street, New York

November 29, 1945

The Board of Directors has this day declared a quarterly dividend of 15 cents and an extra dividend of 20 cents (total 35 cents) per share on the capital stock of this Company, par $10., payable January 2, 1946, to stockholders of record at the close of business December 10, 1945.

STEPHEN G. KENT, *Secretary*

New York, N. Y.
November 29, 1945

Philip Morris & Co. Ltd., Inc.

A regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, has been declared payable February 1, 1946 to holders of Preferred Stock of record at the close of business on January 15, 1946.

There also has been declared a quarterly dividend of 37½¢ per share on the Common Stock, ($5 Par), payable January 15, 1946 to holders of Common Stock of record at the close of business on December 31, 1945.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are therefore urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

UNION CARBIDE AND CARBON CORPORATION

UCC

A cash dividend of Seventy-five cents (75c) per share on the outstanding capital stock of this Corporation has been declared, payable Jan. 1, 1946, to stockholders of record at the close of business Dec. 6, 1945.

ROBERT W. WHITE, Vice-President

The Board of Directors of

Wentworth Manufacturing Company

has declared a dividend of twelve and one-half cents (12½c) per share on the outstanding common stock of the Company, payable on December 20, 1945 to stockholders of record at the close of business December 10, 1945.

Checks will be mailed.

JOHN E. McDERMOTT,
Secretary.

The Chesapeake and Ohio Railway Co.

A dividend for the fourth quarter of 1945 of seventy-five cents per share on $25 par common stock will be paid January 2, 1946, to stockholders of record at close of business December 7, 1945. Transfer books will not close.

H. F. LOHMEYER, *Secretary*

Bond Club of New York Appoints Committees

Lee M. Limbert, Blyth & Co., Inc., president of the Bond Club of New York, announces the appointment of the following Committees for the year 1945-46.

Arrangements: T. Jerrold Bryce, Clark, Dodge & Co., chairman; Henry C. Brunie, Kidder, Peabody & Co.; Alfred Shriver, Morgan Stanley & Co.

Reception: J. Emerson Thors, Kuhn, Loeb & Co., chairman; A. Glen Acheson, Lazard, Freres & Co.; Walter F. Blaine, Goldman, Sachs & Co.; W. Rufus Brent, Eastman, Dillon & Co.; Wm. H. M. Fenn, Phelps, Fenn & Co.; Clarence E. Goldsmith, White, Weld & Co.; C. Edward Grafmuller; W. Fenton Johnston, Smith, Barney & Co.; E. Fleetwood Dunstan, Bankers Trust Co.; Max A. Hewitt, Blyth & Co., Inc.; James J. Lee, Lee Higginson Corp.; George J. Leness, First Boston Corporation; William M. Rex, Clark, Dodge & Co.; Reginald W. Pressprich, Jr., R. W. Pressprich & Co.; and David L. Skinner, Harriman Ripley & Co.

Publicity: William H. Long, Jr., chairman; Kenneth C. Hogate, Eugene P. Barry, Shields & Co.; and Lloyd S. Gilmour, Eastman, Dillon & Co.

Field Day: F. Kenneth Stephenson, Goldman, Sachs & Co., and Frank A. Willard, Reynolds & Co., co-chairmen; Robert E. Broome; Thomas T. Coxon, Mellon Securities Corp.; and Harold MacDougall, vice-chairmen.

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Schirmer, Atherton Co. To Admit Five Partners

BOSTON, MASS. — Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges, will admit John Gardner, Martin C. Lee, Alf C. Lootz, W. Robert Mason, Jr., and Edward P. Wyeth to partnership in the firm on Jan. 1. Mr. Gardner is office manager for Schirmer, Atherton & Co.

James McCormick Jr. To Be Mixter Partner

BOSTON, MASS. — Mixter & Co., 82 Devonshire Street, members of the New York and Boston Stock Exchanges, wil admit James F. McCormick, Jr. to partnership in the firm on Jan. 1. Mr. McCormick has been with them for some time in charge of the Listed Bond Department.

J. S. Strauss Visitor in Wall Street

Jack S. Strauss of J. S. Strauss & Co., 155 Montgomery Street, San Francisco, is in New York City calling on the dealers.

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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 162 Number 4444 New York, N. Y. Thursday, December 6, 1945 Price 60 Cents a Copy

The Financial Situation

The President rather shrewdly (politically speaking) "offsets" the "failure" of the labor-management conference with a sweeping statement that "reconversion" is "ahead of schedule." It is most earnestly to be hoped that the rank and file of the American people are thinking rather more realistically about the course of current affairs than all this fol-de-rol would appear to give them credit for. Of course, there never was any reason at all to expect the labor-management conference to succeed in doing what its originators apparently would have had the public believe it could do. Not only that, but in some essential respects we may count ourselves fortunate that conditions prerequisite to that success did not and do not exist in this country.

For our part, we hope the day will never come when a small group of business and labor leaders can lawfully and effectively decide what wage rates, prices, production and the rest are to be in this country. It may be that not quite so much was expected of this conference which has now come to a fruitless end, but what was demanded of it went much too far in this direction to be consonant with American free enterprise and individual initiative. Of course, those who had been hoping for so much of the conference must have known that those in attendance could not speak for those not there. It was obvious, too, from the first that even those employers who were there could as a rule reach no very basic agreement on such matters as were before the conference for the simple reason that they were competitors subject to the anti-trust laws. All this is as it should be.

Labor Leaders and the Rank and File

No such restrictions rest upon labor leaders, and it is probably true that had they been able to agree among themselves they could have theoretically at least come very much

(Continued on page 2796)

From Washington Ahead of the News

By CARLISLE BARGERON

The sensation caused by Pat Hurley's resignation as ambassador to China points up one of the most serious situations ever to exist in our Government. It is doubtful if anything just like it has ever been permitted to long exist in any other Government. It is that since shortly after the New Deal came in there has been little or no discipline among the subordinates. Their chiefs may issue orders and formulate policy. The subordinates apply them as suits their discretion.

Carlisle Bargeron

There is not the slightest doubt that Hurley was carrying out the President's orders in supporting Chiang Kai-shek in China. We have an investment of several thousand American lives and billions of dollars in him. Apropos of the current Pearl Harbor investigation, for example, it would not be amiss to point out that we were long at war with Japan before she struck at Pearl Harbor. We were furnishing China with planes and pilots (the Flying Tigers) and giving Chiang Kai-shek the money to pay for them. All during this period, however, a running fight was kept up by persons inside the State Department and outside, that we were backing the wrong horse. This agitation, from within and without, kept up after we had openly gone to war with Japan. It has now become intensified as the domestic Commies openly agitate for us to withdraw and leave China to Russia, which came into the war after Japan had thrown up the sponge. Hurley has been the victim of this agitation and there is not the slightest doubt that he is telling the truth when he says his work in China was undermined by State Department subordinates.

At this time, the question of whether we are backing the right or wrong horse, should not be in question. It is a pretty late date to be changing. The main point is that support of Chiang Kai-shek has long been the Government's

(Continued on page 2802)

Observations

By A. WILFRED MAY

The logical conclusion to the "interpretations" verbally delivered by that British "quasi-official," Professor Laski, to a New York audience Monday, really is that in lieu of lending any money to his own country, we should send it all to the Soviet Union. For after the Chairman of the British Labor Party finished pronouncing that "free enterprise and the market economy mean war; socialism and planned economy mean peace," and that business constitutes the "threat of starvation" to the economic society; he reported his finding that "it is significant that only in the new world of Russia has the business man ceased to count."

* * *

Our permanent difficulty in retaining capable men in government service is again highlighted by the departure to private activities of Under-Secretary of the Treasury Bell, Robert Nathan of OWMR, Oscar Cox of FEA, Samuel Rosenman, and Lauchlin Currie. Although the present wholesale exodus from Washington is no doubt accentuated by the demise of Mr. Roosevelt and by V-J Day, the traditional utilization of the government job as a springboard to a place in private industry or to a judgeship, continues as a strongly compelling motive.

This elicits the inclusive question of why we cannot build a permanent guild of professional, high-grade public servants, similar to the British civil service. One answer is found in our political spoils system. Another factor is the injury to the morale of "middle-level" officials entailed in the rapid turnover of their immediate top-ranking superiors. Then there is the discouraging public cynicism about the motives of those in government employ, in contrast to the high esteem in which a government career is held in Great Britain. An atmosphere of professional self-respect and prestige, even though accompanied by an inadequately competing salary

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Truman Asks Congress to Enact Strike Curb Measure

Sends Message Recommending Enactment of a Waiting Period for Fact Finding and Arbitration, Similar to the Railroad Adjustment Act. Says Labor Strife and Failure of Labor-Management Conference to Agree on Settlement Procedure is Hampering Reconversion. Asks General Motors Workers to Return to Work Pending Efforts to Adjust Their Wage Demands.

President Harry S. Truman on Dec. 3 sent a special message to Congress in which he told of the failure of the National Labor-Management Conference to reach an agreement under which strikes could be prevented, and recommending the enactment of a law which would outlaw strikes in essential industries — a law similar in all respects to the existing Railroad Labor Act which was enacted 1926.

President Truman

The text of the President's message follows:

To the Congress of the United States:

All who think seriously about the problem of reconversion—of changing our economy from war to peace—realize that the transition is a difficult and dangerous task. There are some who would have the Government, during the reconversion period, continue telling our citizens what to do, as was so often necesary when the very life of our nation was at stake during the period of world conflict.

That, however, is not the policy of the Government. The policy is to remove wartime controls as rapidly as possible, and to return the free management of business to those concerned with it.

It was the expressed purpose of getting away as soon as possible from some of the wartime powers and controls that the recent national labor-management conference was called in Washington. Instead of retaining in the Federal Government the power over wages and labor agreements and industrial relations which a global war had made necessary, the top leaders of management and labor were invited to recommend a program under which la-

(Continued on page 2800)

Labor-Management Parley Ends Without Decision

After Four Weeks of Discussion, Conference Failed to Reach Agreement on Means of Preventing Strikes or Assuring Industrial Peace. Stumbling Blocks Found in Questions Relating to Wage Rise Policy, Scope of Collective Bargaining and Labor's Responsibilities and Labor's Rights in Management. Some Results Said to Be Achieved and Way Left Open for a Renewal of Discussions.

On Nov. 30, after a final general session that lasted several hours, the Labor-Management Conference called by President Truman to meet on Nov. 5, adjourned finally after failure to reach unanimous agreement upon issues which would set a formula for assuring industrial peace and preventing strikes. Three out of six committees, which were to draw up regulations acceptable both to labor and management, failed to reach agreement. These committees were: (1) on collective bargaining, (2) on management's right to manage, and (3) on representation and jurisdictional questions. The general conference voted down the CIO resolution, sponsored by Philip Murray, to put the Conference on record as favoring a general wage increase. About the only agreements arrived at by the delegates were the proposals for facilitating and improving machinery for conciliation and arbitration in labor disputes.

Management's Demand For Labor Responsibility

In a separate report made by members of the management group, the broad principles of collective bargaining were agreed to, but a demand was made for guarantees in the fulfillment and enforcement of the contract provisions. In this respect, the management delegates report:

Management and unions must require that their respective officials refrain from encouraging or engaging in contract violation. The parties must establish and enforce such regulations as may be necessary within their respective jurisdictions to insure absolute unqualified adherence to the contract commitments made.

It is of fundamental importance that contract commitments made be observed without qualification by employers, employees and labor organizations. Both parties to the agreement must impress upon their associates and members and officers the need for careful observance of both the letter and the spirit of collective bargaining agreements. Employers, employees and unions should not provoke one another into any

(Continued on page 2809)

Not Doing Well

"What we went to war to prevent Germany and Japan from achieving, we are now permitting to become a Russian triumph. By our liberation of the tragic peoples of Europe and Asia we have delivered them from the hands of one cruel and inhuman dictator into the bloody and tyrannical hands of another.

* * *

Burton K. Wheeler

"The only reason why, to this moment * * * Russia has had a free hand to liquidate all potential opposition, both among organized patriotic resistance groups and among the disorganized, helplessly miserable masses, is because we have been willing not only to shield her and keep the facts from the American people, but also because, by our abject appeasement for the sake of specious 'unity,' we have deliberately played her game for her."—Senator Burton K. Wheeler.

"* * * We have always been a prey to the nations that give lip service to our ideals and principles in order to obtain our material support. The war that is now in the making is not even intended to defend or establish democratic ideals. Instead of putting our weight behind the Charter of the United Nations we have been definitely supporting the imperialistic bloc. At the same time a considerable section of our State Department is endeavoring to support Communism generally as well as specifically in China.

Patrick J. Hurley

* * *

"Because of the confusion in our own international policy America has been excluded economically from every part of the world controlled by colonial imperialism and Communist imperialism. America's economic strength has been used all over the world to defeat American policies and interests."—Patrick J. Hurley.

It is most earnestly to be hoped that these two heated, if not wholly consistent, indictments of our foreign policies, or want of them, will arouse the American people to a situation which neither of them fully disclose.

The truth of the matter is that our semi-Quixotic role is not going well in a world among nations bent upon their own advancement.

American Legion Policies Adopted

At the close of the four-day convention in Chicago held by the American Legion, the report of their foreign relations committee was adopted, according to Associated Press advices of Nov. 21, with the Legion reaffirming approval of the United Nations Organization and urging that the American people take a greater interest in foreign affairs and that a definite foreign policy be established by the Government. The report called for maintenance of the highest standards of American justice in the trial of war criminals. It "discouraged" unfair foreign trade practices by United States citizens and recommended that the legion itself establish a competent, independent personnel to keep the legion informed on foreign affairs.

The convention, the Associated Press also reported, adopted a national employment program including a recommendation that the Veterans Employment Service be transferred from the United States Employment Service to the Veterans Administration. The resolution also asserted that the veterans service was not accomplishing the desired results under United States Employment Service because of "hamstringing" by other Government agencies.

The employment program included also recommendations that veterans' employment committees be established in every community; preferential consideration for disabled veterans in re-employment and new employment; preferential consideration of veterans in private employment with full credit extended for military service and extension and improvement of unemployment coverage and benefits.

Gen. Alexander A. Vandegrift, commandant of the Marine Corps, carried on the debate before the Legion on the proposed Army-Navy merger when in a convention address he called it "a revolutionary scheme, one untried and without precedent." He reiterated the Navy suggestion that the President create a civilian commission to consider the entire question and report by July 1, 1946.

Lieut.-Gen. James H. Doolittle of the Army Air Forces, carried the oratorical ball right back for the Army, however, when he told the Legionnaires that World War II demonstrated necessity of unity of command in the field, but said "you can't have it in the field without unity of command at home."

He recommended a single department of national defense, with the Army, Navy and Air Forces co-equal and autonomous.

House Group Would Cancel Funds for Strike Elections

The cancellation of funds for the holding of strike votes by the National Labor Relations Board was recommended by the House Appropriations Committee, when it sent to the House floor on Nov. 26 a $1,131,452,312 deficiency supply bill, the Associated Press reported from Washington on that date. In approving the bill which is designed to meet deficiencies in funds previously appropriated for several score Federal Agencies for the fiscal year ending next June 30, the Committee, which estimated at $2,400,000 the cost of conducting strike elections during the next seven months, urged that further funds for this purpose be withheld and that funds granted heretofore be turned back to the Treasury. From the Associated Press we quote:

"Strike elections have been conducted by the National Labor Relations Board under provisions of the Smith-Connally war-labor disputes act. Separate legislation repealing the strike-vote requirement and imposing stiff curbs on labor unions is pending in the House but will not be acted on until the supply bill approved by the Appropriations Committee is disposed of.

Noting that the strike-vote provision was a war-time proposal, the committee said the need for it has passed. It added that the regular work of the NLRB, which has requested repeal of the strike-vote requirement, is being held up by the elections.

The $1,131,452,312 recommended for the various agencies supplied by the bill was a reduction of $576,142,136 from budget estimates, representing one of the biggest percentage slashes ever proposed by the committee.

However, more than half of the reduction was made "without prejudice" to reconsideration later.

Among the "without-prejudice" cuts were $24,500,000 for temporary housing for veterans, $158,320,000 for hospital and domiciliary facilities for veterans, and $128,475,000 for river and harbor and flood control projects.

Of money actually approved, $928,000,000 was for national service life insurance handled by the Veterans Administration. The new money, augmenting $900,000,000 previously approved by Congress, is necessary, the committee said, because of deaths of members of the armed forces who carried the reduced-rate national service insurance.

Roland S. Morris Dies

The death was announced on Nov. 23 of Roland Sletor Morris, one-time ambassador to Japan who was credited during his period of service, 1917 to 1921, with having lessened friction and fostered good-will. A prominent lawyer, interested in international affairs, Mr. Morris held many posts of importance, including that of Professor of International Law at the University of Pennsylvania and trustee of the Carnegie Endowment for International Peace. A Democrat of long standing, Mr. Morris in 1940 split with the party to support Wendell L. Willkie in his candidacy for the Presidency. He died at his residence in Philadelphia.

William Green, President of the American Federation of Labor, told the convention: "It is my hope that no further attempts will be made to align labor and the veterans against each other." He asserted that organized labor "has supported and will continue to give its full backing" to legislation for better employment, education and business opportunities for veterans.

The State of Trade

The first direct move toward governmental action against work stoppages in industry came on Monday of this week when President Truman in a message to Congress took up the urgent matter of labor problems.

Discussing the task of reconversion and the steps to be taken to accomplish it, the President stated, that there are some who would have the Government, during this period, continue to lay down the rules for the nation's changeover to peacetime pursuits as was so often necessary during the war. That, he stated, is not the policy of the Government since the Government desires to remove wartime controls as rapidly as possible and to return the free management of business to those concerned with it.

To make such a policy effective, the recent labor-management conference was called in Washington with top leaders of management and labor invited to formulate a program under which labor relations would be turned back into the hands of those involved.

Since the conference which has just recently ended failed to agree on machinery that would solve existing strikes which are retarding our reconversion program in some of the major industries, and for the strikes which are threatened, President Truman said that it becomes the duty of the Government to act on its own initiative.

Emphasizing the need at this time for Government intervention to adjust such labor disputes, the President had the following to say, "Industrial strife in some key industries means not only loss of a great amount of wages and purchasing power; but it may have ramifications throughout the country affecting the whole reconversion process. In such industries, when labor and management cannot compose their differences, the public through the Federal Government has a duty to speak and act."

The President recommended that the principles underlying the railroad labor act be adopted for the settlement of industrial disputes in important nation-wide industries. Continuing, he added that the general pattern of that act is not applicable to small industries or small local disputes in large industries, but would be effective as well as fair, in such widespread industries as steel, automobile, aviation, mining, oil, utilities and communications. It is not the President's intention to make this list exclusive, nor to include local inconsequential strikes within these industries. The objective, he said, "should be to cover by legislation only such stoppages of work as the Secretary of Labor would certify to the President as vitally affecting the national public interest."

Where collective bargaining has failed in disputes in such industries and the Federal conciliation service has been unable to effect an agreement, and where the Secretary of Labor has been unsuccessful in inducing the parties to voluntarily submit the dispute to arbitration, the President would recommend the following procedure:

Upon certification by the Secretary of Labor to the effect that a dispute continues despite his efforts, and that a stoppage of work in the affected industry would vitally affect the public interest, the President, or his duly authorized agent, should be empowered to appoint, within five days thereafter, a fact-finding board similar to the emergency board provided for under the railway labor act.

A further recommendation of the President, after the Secretary of Labor executed the certificate, would make it unlawful to call a strike or lockout, or to make any change in rates of pay, hours, or working conditions, or in the established practices in effect prior to the time the dispute arose. In connection with the above proposal the parties concerned would not be legally bound to accept the findings or follow the recommendations of the fact-finding board. Such a procedure would acquaint the general public with all the facts and the result in most cases, the President believes, would be that both parties would accept the recommendations, as has been the case in most railway disputes.

The President to speed the settlement of the most important existing strikes such as the one against the General Motors Corporation and the threatened strike involving the United States Steel Corporation and the United Steel Workers, stated that he was appointing such a fact-finding board and expressed the hope, that the Congress would approve the steps he was taking. Concluding his message, he stated, "This is an immediate program which is fair to both sides. I hope that the Congress, naturally disappointed at the failure of labor and management to agree upon a solution for the prevention of industrial disputes, will not adopt repressive or coercive measures against either side."

A resume of industrial activity last week reveals the diverse trends reported by some industries were against a background of gradual expansion for manufacturing generally. New order volume was voluminous as demand for most materials remained unlimited. Shipments in a few instances improved, but generally they continued slow.

Steel Industry—The steel wage controversy the past week assumed a lesiurely but cautious and cold-blooded bid by both sides for a pattern which would reveal the course of steel labor trends for some time to come, says "The Iron Age," national metal working paper in its current review of the steel trade.

While the probability of an industrywide steel strike was even stronger than ever in view of the surprise and right-about move of the OPA in denying the steel industry a past due and promised price adjustment, it was apparent the past week that steel mill shutdowns would not occur before the New Year, the magazine predicted. The union, this trade authority adds, is as aware as management that any losses incurred in December of this year would mean more taxwise, than if the shutdowns occurred in 1946 in view of the recent changes in the tax law.

The steel worker strike vote will involve close to 800 steel and steel processing plants, with a number of elections slated for Dec. 6. With labor stakes high, the policy of Philip Murray, USWA head, in directing the steel union during the current situation is "no illegal strikes" which is expected to preclude any series of wildcat stoppages. The union, this trade authority adds, is as aware as managemeent that any losses incurred in December of this year would mean more taxwise than if the shutdowns occurred in 1946 in view of the recent changes in the tax law.

Past procedure indicates that the union policy committee will meet after the strike votes are counted to decide a "future course." This meeting will probably take place around Dec. 10 to 15.

The bombshell tossed into steel

(Continued on page 2802)

Hurley Resigns as Ambassador to China; Marshall Appointed to Post

In a statement containing numerous allegations against United States State Department and diplomatic officials, Major-Gen. Patrick J. Hurley resigned as Ambassador to China, on Nov. 27, according to Associated Press Washington advices. Declaring that American policy in Asia, as conveyed by these officials, was tending to "undermine democracy and bolster Imperialism and Communism" in the Far East, General Hurley, however, added that he had always received support from the President and Secretary of State in his endeavors for the establishment of democracy and free enterprise.

Accepting General Hurley's resignation, President Truman appointed retiring Army Chief of Staff, General George C. Marshall, to replace the former as the President's special envoy to China with the rank of Ambassador. Observers in Washington feel that the selection of General Marshall for the post indicates plainly the importance which Mr. Truman attaches to the Chinese situation.

In his statement announcing his resignation, as reported by the Associated Press, Gen. Hurley said in part:

"I am grateful to both the President and the Secretary of State for the support they have given me and for their kind offer in requesting me to return to China as ambassador.

"In one capacity or another I have been on the perimeter of America's influence since the beginning of the war.

"During the war I have served in Java, Australia, New Zealand, and generally in the Southwest Pacific, in Egypt, Palestine, the Lebanon, Syria, Trans-Jordan, Iraq, Saudi Arabia, Iran, Russia, Afghanistan, India, Ceylon, Burma and China.

"Of all of the assignments, China was the most intricate and the most difficult. It is a source of gratification to me that in all my missions I had the support of President Roosevelt, Secretary Hull, Secretary Stettinius, President Truman and Secretary Byrnes.

"In the higher echelon of our policy-making officials American objectives were nearly always clearly defined. The astonishing feature of our foreign policy is the wide discrepancy between our announced policies and our conduct of international relations. For instance, we began the war with the principles of the Atlantic Charter and democracy as our goal.

"Our associates in the war at that time gave eloquent lip service to the principles of democracy. We finished the war in the Far East furnishing lend-lease supplies and using all our reputation to undermine democracy and bolster Imperialism and Communism.

"Inasmuch as I am in agreement with the President and the Secretary of State on our foreign policy. I think I owe it to them as well as to the country to point out the reasons for the failure of the American foreign policy in reaching the objectives for which we said we were fighting the war.

"I will confine my remarks in this statement to Asia, although I wish to assure both the President and the Secretary of State that I shall be at their service in discussing frankly other phases of our international relations.

"I was assigned to China at a time when statesmen were openly predicting the collapse of the National Government of the Republic of China and the disintegration of the Chinese Army.

"I was directed by President Roosevelt to prevent the collapse of the Government and to keep the Chinese Army in the war. From both a strategical and diplomatic viewpoint the foregoing constituted our chief objective. The next in importance was the directive to harmonize the relations between the Chinese and American military establishments and between the American Embassy in Chungking and the Chinese Government.

"It will readily appear that the former objective could not be accomplished without the accomplishment of the secondary objective as a condition precedent. Both of these objectives were accomplished. While these objectives had the support of the President and the Secretary of State it is no secret that the American policy in China did not have the support of all the career men in the State Department.

"The professional foreign service men sided with the Chinese Communist armed party and the imperialists bloc of nations whose policy it was to keep China divided against herself. Our professional diplomats continuously advised the Communists that my efforts in preventing the collapse of the National Government did not represent the policy of the United States. These same professionals openly advised the Communist armed party to decline unification of the Chinese Communist Army with the National Army unless the Chinese Communists were given control.

"Despite these handicaps we did make progress toward unification of the armed forces of China. We did prevent civil war between the rival factions, at least until after I had left China. We did bring the leaders of the rival parties together for peaceful discussions. Throughout this period the chief opposition to the accomplishment of our mission came from the American career diplomats in the embassy at Chungking and in the Chinese and Far Eastern Divisions of the State Department.

"I requested the relief of the career men who were opposing the American policy in the Chinese theatre of war. These professional diplomats were returned to Washington and placed in the Chinese and Far Eastern divisions of the State Department as my supervisors. Some of these same career men whom I relieved have been assigned as advisers to the Supreme Commander in Asia.

"In such positions most of them have continued to side with the Communist armed party and at times with the Imperialist bloc against American policy. This is an outline of one of the reasons why American foreign policy announced by the highest authority is rendered ineffective by another section of diplomatic officals.

"The weakness of American foreign policy has backed us into two world wars. We had no part in shaping the conditions that brought about these two wars. There is a third world war in the making. In diplomacy today we are permitting ourselves to be sucked into a power bloc on the side of colonial imperialism against Communist imperialism.

"I am opposed to both. I still favor democracy and free enterprise.

"A democracy must live on its intelligence and its integrity and its courage. To the people of the democracy should be given all the facts to enable them to form correct opinions. The discrepancy between American foreign policy as anounced in the Atlantic Charter and the Iran Declaration and in the President's recent Navy Day address and as carried into effect may be attributed in large measure to the secrecy which has shrouded the actions of the State Department. All too frequently information concerning its conduct leaks out to the public in distorted, garbled, or partial form. The result is that the American people have too little ba[illegible] mation to judge the extent to which their State Department correctly interprets and administers the foreign policies of the nation.

"During the war we had to maintain secrecy to prevent giving aid to the enemy. I grant that sometimes during the war we had to be expedient. Now we should endeavor to be right. I raise this issue because I am firmly convinced that at this particular juncture in our history an informed public opinion would do much to give intelligent direction and implementation to our international objectives.

"With special reference to China and the other nations where I have served in the last four years, the blessings of factual publicity would be manifold. Now that the war is over I am willing that all my reports be made public, together with the reports made by those officials in the foreign service who have differed with the promulgated American policy.

"Our true position in China is misunderstood abroad because of this confusion of policy within our own Government. This situation suggests the need for a complete reorganization of our policy-making machinery, beginning at the lower official levels. No international policy can succeed without loyal and intelligent implementation.

"Because of the confusion in our own international policy America has been excluded economically from every part of the world controlled by colonial imperialism and Communist imperialism. America's economic strength has been used all over the world to defeat American policies and interests. This is chargeable to a weak American foreign service.

"I wish to absolve from this general indictment some of our career men. Some of them are very admirable and well equipped public servants who have fought in the State Department and in other countries against overwhelming odds to advance American ideals and interests.

"America's economic and diplomatic policies should be coordinated. America's strength should not be allied with any predatory ideology.

"America should support the amendment or revision of the San Francisco United Nations Charter to make it democratic.

"Our strength should be used to uphold the decisions of the United Nations rather than to support conflicting ideologies or war-making power blocs."

On Dec. 3 the Senate Foreign Relations Committee voted unanmously to open its doors to the public at the hearings scheduled to begin on Dec. 5 when Gen. Hurley will disclose his action in resigning. Gen. Hurley had declined to testify at a closed hearing.

U. S. Ask Swiss Govt. to Cut Watch Imports

Steps have been taken by the United States Government to reduce the imports of Swiss watches and watch movements during the present period when the watch industry in this country is still reconverting from war production. In advices to this effect from Washington Dec. 3 the New York "Times" reported.

"The State Department said it had sent a note to the Swiss Government asking its cooperation in reducing the shipment of watches which "during recent months have been at an average annual rate considerably above the pre-war volume of domestic sales of both imported and comparable domestically-produced watches and movements."

The Swiss were asked for a prompt reply.

Navy's Arms Unification Plan

Secretary of the Navy James V. Forrestal disclosed on Nov. 28 a plan for unifying the armed services to which the Navy Department could give approval. Pointing out the differences between this plan and the merger plans proposed by the Army and in legislative measures now under consideration, Mr. Forrestal gave it as his opinion that the Army plan would be tantamount to "a derogation of sea power," in a measure, "absorption of the Navy by the Army." Under the plan which the Navy proposes, he said that all elements of national security would, in effect, be under a "War and Peace Cabinet."

Mr. Forrestal, who, on Nov. 19, according to the Associated Press, in a talk to the Economic Club of Detroit, urged that a Presidential commission under Bernard M. Baruch be appointed to study the entire question of national security, on Nov. 28 told a news conference that the plan put forth by his Department embraced "a really broad foundation for national security." The following is the text of Mr. Forrestal's statement, as reported by the Associated Press:

A statement of the Navy position on national security:

We were victorious in this war, thanks to this democracy's great outpouring of national power. Nonetheless, the Navy Department has recognized the following deficiencies in the national security organization as of the end of the war.

1. Our foreign policy and military policy has not been closely integrated, although progress was being made through the State-War-Navy coordinating committee.

2. Our strategic planning and decisions were excellent, although delays were at times caused in the joint Chiefs of Staff by logistic and other complications, especially where Allied cooperation was involved.

3. Although unified command in the field was usually established, the Pacific command was split, particularly inside the Army, by separation of the Strategic Air Forces not only from the other Army air forces but also from the theatre commands.

4. There were gaps in the planning of material requirements, particularly inside the miliary departments.

5. There were duplications in procurement both between the ground forces and the air forces inside the War Department as well as inside the Navy Department and between the Army and the Navy. Many duplications have, however, been eliminated and progress is still being made.

6. No permanent organization had been evolved to plan for the mobilization of our material resources, productive capacity and technical skills in the event of war.

7. The coordination of the military and other war budgets in the Bureau of the Budget was not as thorough and detailed as it might have been.

For the future, and particularly in view of discoveries in the field of atomic energy, the Navy believes that an over-all, rather than a piecemeal, national security plan should be evolved to remedy not only the past deficiencies, but also to provide for the foreseeable future, with particular emphasis on:

(a) The integration of all elements of national security.

(b) A central research and development agency.

(c) A central intelligence service.

Consequently, the Navy Department advocates that a really broad foundation for national security be established, as follows:

(1) A permanent National Security Council with a permanent secretariat should be established as an integral part of our Government. It should consist of the military departments, and the chairman of the National Resources Board. The Security Council will coordinate all foreign and military policies and in time of war will advise the President as Commander in Chief. This council will also review and determine the security program and budget for submission to Congress.

(2) There should be provided a permanent joint Chiefs of Staff to consist of the Chief of Staff to the President, the Chief of Staff of the Army, the commanding general of the Army Air Forces, and two officers of the Navy, one to be a naval aviator.

Such joint Chiefs of Staff will establish unified commands in peace and war and will originate the strategic military program. The subordinate agencies of the joint Chiefs of Staff should be strengthened and established on a permanent, full-time basis.

(3) The National Security Council should be assisted by (A) a central research agency, and (B) a central intelligence agency, both to serve all departments of the Government.

(4) A permanent National Resources Board should be established to make policy decisions with respect to the mobilization of material resources, productive capacity and manpower.

A permanent military munitions board (a joint agency), reporting to the National Resources Board, will be responsible for the elimination of duplications in procurement and supply.

(5) The Army Air Forces, with particular reference to their strategic functions, should be autonomous. Whether that can be accomplished only by splitting the War Department and establishing a separate department is a matter for Congress to decide.

A single military department should not be forced upon the country to establish autonomy for the Army Air Forces.

(6) The Navy must be continued as an integrated service not only with its own air forces (including such shore-based elements as are required for design, training, reconnaissance at sea and anti-submarine warfare), but also with its Marine Corps and related amphibious components.

This requires that the Navy Department continue to be represented in the Cabinet by a civilian secretary with direct access to the President.

This program deals with the basic elements of national security. It also preserves the integrity of each of the armed service and provides for the—

(A) Unified strategical direction of the services, both in Washington and in the field.

(B) Effective coordination of procurement, and

(C) For integration of budgets for national security.

Mail Shipments to Guam

Postmaster Albert Goldman announced on Nov. 27 that information has been received from the Post Office Department at Washington that all restrictions regarding overseas shipments by mail are removed, in so far as concerns mails for civilian addresses in Guam. The advices also state:

Articles of mail matter, including parcel post, for transmission by surface means to Guam will, therefore, be accepted for mailing up to a weight limit of 70 pounds, 100 inches in length and girth combined without restrictions as to the number of packages mailed in any one week by or on behalf of the same person or concern to or for the same addressee.

Air mail for Guam is still subject to a weight limit of two ounces.

The Financial Situation

(Continued from first page)

more nearly speaking for those whom they represented than could management. The fact is, however, that not only could they not agree among themselves, but they have again and again shown themselves unable to make their theoretical power effective. Local leaders are continually defying those above them, and in many, many instances the rank and file of the men defy local leaders. Viewed superficially this is a regrettable situation, and in some of its aspects it really is deeply to be regretted. It is particularly so when the unions are unable to persuade or oblige rank and file membership to observe contracts which have been entered into in their name with their approval. At the same time, the fact that no small, or for that matter no large, group of labor leaders can make decisions for the rank and file or herd them like sheep into the fold is really not an unmitigated evil by any means. Imagine what this country would be like if the wage earners were ruled by a triumvirate of Petrillo's!

The failure of the labor-management conference leaves the situation much where it was when the conferences began, and it requires that the country squarely face the fundamentals of that situation. It should suggest strongly that these labor disputes, and for that matter, questions which have to do with pricing, either will be settled man to man, or group to group, in the business world or they will not be settled at all—or at the very least will not be settled wisely. It is, of course, deeply to be regretted that unionism has been permitted—nay, encouraged — to develop into groups so large and so powerful that competition has been completely eliminated and even the law of the land effectively flouted, but that is the situation by which we are today confronted. Legislation, carefully designed legislation, is needed to undo this mischief, but it is not likely to help us much in the present impasse.

Of course, government, if it would, could enforce the law of the land—and it goes without saying, first, that it should do so, and second, that such a course on its part would do more than all its "conferences" and other semi-political moves combined. But when it has attended to this chore — which it has been most sedulously neglecting for years past — the less it injects itself directly into labor disputes the better for all concerned. It is being currently said that only President Truman can bring the General Motors strike to a speedy end. But how? And with what consequences? Possibly he could let it be known what rates of wages he wishes paid—as if it were any of his business. If both sides were willing to proceed on such a basis, they doubtless would agree to do so. But if there is such a common ground, why do the disputants not proceed without the assistance of the President? If one or the other of the parties to the dispute are not willing to accept the President's suggestion, what then? To be sure, no one supposes that we should be wise to continue the plant seizure technique now that the war is over.

Other Handicaps

But the President would be under other handicaps. During the war any employer who was selling predominantly to the government could count upon the Treasury to pay the costs of extra labor expense imposed upon him. But no such situation exists today. Should the President undertake now to oblige General Motors to incur substantial increase in its labor cost burdens, the question of price must inevitably arise—and it is the Federal Government in Washington which is undertaking to determine the prices at which the public will be asked to buy the products of employers of labor—and is more or less committed to prevent those prices from rising. It is, of course, inevitable that grants of wage increases of the order of magnitude of those demanded by Mr. Reuther would very appreciably increase the cost of production, and without question necessitate a price for the products of labor higher than otherwise would be necessary. Is the President ready to accept responsibility for such an increase?

It is considerations such as this, or at least akin to this, which make a mockery of the President's optimistic reconversion report to the nation. It may or may not be a fact that good progress has been made in converting plants. Such progress without doubt has been excellent in some lines if not so marked in others, but that is only a part of the story. Retail trade is doing well, indicating that demand from the general public for many types of goods is strong and insistent. But can we be sure that this demand can make itself effective? The answer usually offered by those who glibly follow the "line" prepared in Washington is to point to the "liquid assets" now in the hands of both individuals and business. But that is not the point. The question is not whether there is sufficient "purchasing power" for the purposes in hand, or even whether the rank and file are willing to exercise that power.

Wages and Prices

A serious difficulty which is making itself evident even now from day to day is found in the fact that this demand often can legally impinge upon the manufacturer only in terms of prices which leave the latter without profit. That kind of demand is not likely to be effective. The whole question of postwar wage rates and prices remains with us—and will do so until the Government is willing to step down, and most of all to quit putting unruly elements in the population up to mischief.

Ford Demands Union Penalty in Strikes

The Ford Motor Company made a formal proposal to the United Automobile Workers (CIO) on Nov. 28 that the union reimburse the company at the rate of $5 per day for each man involved in future unauthorized work stoppages at Ford plants, the Associated Press reported from Detroit.

The Ford proposal, in support of the company's demands for the assumption of responsibility by the union, evoked widespread interest in the automotive industry, the Associated Press continued, and drew from Richard T. Leonard, director of the UAW's Ford division, the comment, "such a proposal is unrealistic and would not guarantee an end of unauthorized strikes." The Associated Press added:

The company suggested that it be empowered by the UAW to collect the penalties from "any amount collected by the company for the union under the check-off provisions" of its contract with the union.

A Ford spokesman said, "the company's position is that the union can control its membership in the matter of unauthorized stoppages, slowdowns and controlled production, but has failed to do so during the life of the present contract."

Mtge. Loans During Oct.

Zebulon V. Woodard, Executive Vice-President of the New York State League of Savings and Loan Associations, announced on Nov. 23 that the 243 savings and loan associations in New York State set an all-time high record in mortgage lending activities for the month of October.

From reports submitted to the League, Mr. Woodard estimated that a total of $12,873,640 loans were granted during October, which represents an increase of 59%, or $4,800,700, over October, 1944, and an increase of 21%, or $2,206,586, over September, 1945. This brings total loans granted by the associations for the first 10 months of 1945 up to $98,357,151. Purchase loans constituted 80%, or $10,256,200, of the $12,873,640 loans recorded during October, 1945, the remaining 20% representing construction, refinance, repair and other loans. It is added that savings increased during October by a net figure of $7,712,480, equivalent to a rise of 1.3%. New share investments totaled $21,508,000 while withdrawals amounted to $13,795,520. On the basis of these figures, Mr. Woodard estimated that on Oct. 31 the total resources of all New York savings and loan associations had reached the amount of $698,554,910.

Industrial Activity Declined in October, Federal Reserve Board Reports

"Industrial output declined somewhat further in October, but in the early part of November production in important basic industries increased," according to the summary of general business and financial conditions in the United States, based upon statistics for October and the first half of November, made available on Nov. 26 by the Board of Governors of the Federal Reserve System. "Value of retail sales continued to advance considerably in October and early November, reflecting in part small increases in prices," said the board, which further reported:

Industrial Production

Output at factories and mines continued to decline in October, reflecting a further curtailment in munitions activity and reduced production as a result of industrial disputes in some industries. The board's seasonally adjusted index decreased 4% in October and at 164% of the 1935-39 average the index was at the same level as in the middle of 1941. In the first half of November output in such basic industries as coal, coke, petroleum, iron and steel and automobiles was above the October level.

Activity in the machinery and transportation equipment industries showed only small declines in October in contrast to the sharp reductions in recent months when most of the war production in these lines had been terminated. Activity at automobile factories rose substantially in October and there were also important increases in output of civilian products in other reconverted factories.

Steel production was reduced in October as a result of a temporary curtailment in coal supplies, but since the end of October steel mill operations have increased conssiderably. Wage-rate disputes in the West Coast lumber region resulted in a reduction of 18% in total lumber output in October.

Output of non-durable goods as a group was maintained in October. Further reductions in output of explosives and aviation gasoline and other products used for war purposes were offset by increases in output of many peacetime products.

Output of coal and crude petroleum decreased sharply in the early part of October as a result of industrial disputes. Since the last week of October production of these minerals has increased considerably; in the early part of November bituminous coal production was at the highest rate since the spring of 1944.

Employment

Employment in munitions industries and in Federal war agencies declined further in October, while in most establishments engaged in civilian activities employment increased. Employment at automobile factories gained about 10% in October and there were important increases in some other manufacturing lines, in construction, and in the trade and service industries. Employment at coal mines dropped temporarily as a result of work stoppages.

Distribution

Distribution of commodities to consumers continued to increase in October and the first half of November. Sales at retail stores selling both durable and non-durable goods were about 15% higher than a year ago. At department stores sales advanced 8% from September to October, according to the board's seasonally adjusted index and, on the basis of the rate of sales during the first half of November, a new peak is indicated this month.

Railroad shipments of revenue freight have increased since the early part of October, although they usually decline during this season and in the middle of November they were almost as large as in the same period a year ago. The increased number of carloadings has reflected a sharp rise in coal shipments since the miners have gone back to work as well as a steady expansion in shipments of merchandise for civilian use.

Commodity Prices

Wholesale prices of farm products and foods continue to advance from the middle of October to the middle of November and reached the previous peak levels prevailing in June. Prices of cotton, grains and various other products were above the June levels, while prices of fresh fruits and vegetables were below the earlier seasonal peaks. Butter prices rose to the new maximum level after the subsidy was distinued in October; the subsidy on flour was increased for the month of November.

Maximum prices for cotton goods, building materials and various other industrial products were raised somewhat further, while in certain other cases, like nylon hosiery, reduction in maximum prices were announced. The prices announced for new passenger cars were close to 1942 levels, which were substantially above 1939 prices.

Bank Credit

Since the end of hostilities the rate of monetary expansion has slackened, reflecting reduced Government expendtiures. Government war loan accounts at member banks in leading cities were reduced $5.1 billion between Aug. 15 and Nov. 14, compared with a decline of $7.8 billion in the same period last year. Adjusted demand deposits at these banks increased $2.1 billion in the three months, compared with $4.5 billion last year. The growth in time deposits was only slightly less than in the same period a year ago. Currency in circulation has also grown at a much slower rate; during the past three months the increase was less than half that of the same period last year.

With reduced expansion in member bank required reserves and in currency, Reserve Bank credit has increased more slowly than in previous interdrive periods. A part of the increase has been in advances to member banks. Member bank excess reserves have increased somewhat and at $1.2 billion are larger than usual at this stage of war loan drives.

Commercial loans at reporting banks, both those in New York City and outside, have increased somewhat more than the usual seasonal amount. Since the beginning of September these loans have grown $650,000,000 compared wiht $340,000,000 during the same period of 1944. Loans for purchasing and carrying U. S. Government securities, though contracting as usual in periods between war loan drives, continued well above previous interdrive levels. By mid-November such loans, both to brokers and dealers and to other customers, were already starting to expand in connection with the current drive.

Wachsman Heads Smith Memorial Fund Div. Unit

Alvin L. Wachsman, cotton broker, has been appointed Chairman of the Cotton Exchange Division of the Alfred E. Smith Memorial fund campaign, it was announced on Nov. 29. The memorial will be a $3,000,000, 16-story addition to St. Vincent's Hospital bearing Gov. Smith's name, built by public contributions.

To Study Consumer Credit Collection System

Banks of the nation will provide a collection service in the consumer credit field superior to anything yet developed, according to Walter B. French, Deputy Manager of the American Bankers Association, in charge of its Consumer Credit Department. Speaking on Nov. 26 before the Virginia Bankers Association, Mr. French said the Consumer Credit Department had recently sent a questionnaire to member banks, asking them what phases of consumer credit their bank would engage in and whether or not their bank would be interested in participating in a nation-wide collection arrangement on a reciprocal fee basis.

"As of the present date," Mr. French said, "almost 8,000 questionnaires have been returned, and preliminary results indicate that more than 90% of all banks will engage in some phase of consumer instalment credit. Almost 6,000 banks have expressed their willingness to engage in the nation-wide consumer credit collection system." He added:

"The American Bankers Association plans to issue a consumer credit directory which, among other important features, will provide banks with the following information: 1. The name and location of each bank making consumer instalment loans; 2. Types of consumer loans handled by each bank; 3. The extent to which each bank will accept items for collection; 4. Specific data which should be included in transmitting a claim from one bank to another, and 5. Statement of policy or understanding under which claims are referred to another bank."

Mr. French said the volume of instalment loans in the United States is definitely on the uptrend, current outstandings from commercial banks aggregating approximately $625,000,000. This does not include industrial banks which will add another $180,000,000. "I think it will be some time, maybe a year or more, before consumer credit paper becomes available in quantity," Mr. French said. "Here are some factors that I believe will have a bearing on the availability of this type of loan:

"1. Strikes and labor unrest will delay production. They will also have an influence on purchases. People do not as a rule spend money or commit themselves to debt unless they feel fairly sure about the future.

"2. Price and credit controls will have some influence. Up to now Regulation W has had very little influence on the contraction of consumer credit outstanding. As an anti-inflationary instrument we shall now have a chance to see what it can do. Informed people tell us that we are already inflated 36% in this country in cost of commodities. Those of us who pay our bills can confirm the findings of the learned gentlemen. Regulation W advocates answer this by saying that if it were not for this regulation and other controls we would be inflated more. This is not a very satisfactory answer but probably true. The Association is on record as believing that Regulation W should be abandoned as soon as the supply of durable goods somewhere nearly equals the demand.

"3. The extent to which money now in circulation—$28 billions—will be used for the purchase of consumer goods or services will discourage the use of loans.

"4. The extent to which savings accounts at over $40 billions and individual government bond holdings of $84 billions will be converted into consumer durable goods will have an effect on consumer credit volume."

Mr. French said that many banks over the country will engage in a plan of financing as soon as consumer paper is available. Two groups of banks have been formed to handle this type of paper, one on the West Coast, which will cover 11 states, and another with headquarters either in New York or Chicago, which will attempt to cover the rest of the country.

Employment at New Low in September

Employment in 25 manufacturing industries surveyed each month by the National Industrial Conference Board slumped 12.1% in September, the greatest decline ever recorded since such statistics have been collected, The Conference Board reported on November 30. The Board's index of employment dropped to the lowest level since September, 1940, and was 31.8% below the peak of October-November, 1943.

Despite recent declines, the number of employed production workers in the 25 industries as a whole the close of September still showed an increase of 22.9% over the August, 1939 figure, The Conference Board said, but seven individual industries reported employment in September as lower than in the month before the start of the European war. These industries were: boot and shoe, furniture, hosiery and knit goods, leather tanning and finishing, lumber and millwork, silk and rayon, and wool. Declines below the August, 1939 level ranged from 1.6% in furniture to 31.5% in hosiery and knit goods.

The announcement continued:

"September payrolls in the 25 industries dropped 15.3% below the August figure and were 30.3% less than in September last year. The decline between August and September this year was the largest decrease recorded since the early part of 1921, and sent The Conference Board index of payrolls to the lowest level since December, 1941. The index, however, was still 107.1% higher than that of August, 1939.

"The average work week of 42.4 hours in September was a decline of one hour or 2.3% below the August average. Since January this year, the peak month, the average work week has recorded a decline of 3.8 hours or 8.2%. The September figure was the lowest since February, 1942, but was 11.9% longer than in August, 1939.

"Total man hours worked during September in the 25 manufacturing industries according to The Conference Board, were lower than the 1923 average for the first time since April, 1941. The September index was 14% below the August level and 30.4% lower than in September, 1944.

"Average hourly earnings of production and related workers were $1.089 in September, a decline of 1.3% from August and 2% below the peak level established in June this year. The September average, however, held 0.8% above the corresponding month last year and was 51.3% higher than in August, 1939, the month before the outbreak of the war in Europe.

"Weekly earnings, averaging $45.99 in September, were 3.5% less than in August and smaller than the average for any month since May, 1943. Only five industries showed higher earnings in September than in August: lumber and millwork, meat packing, paper and pulp, and the two printing industries.

"The Conference Board's calculations of average 'real' weekly earnings in September — the amount of goods and services that could be purchased with the dollar earnings—dropped 3.3% below the August level. 'Real' earnings, however, were still 33.3% higher than in August, 1939."

Lt. Underhill Named by Morris Plan Bankers

Election of Lt. Gary M. Underhill, USNR, as Executive Director of the Morris Plan Bankers Association has been announced at the Association's headquarters in Washington, D. C., by Joseph E. Birnie, President of that organization. Mr. Birnie is President of the Morris Plan Bank of Georgia. Prior to his being commissioned in the Naval Reserve, Lt. Underhill was Assistant Vice-President of The Morris Plan Bank of Virginia at Richmond. He has been on duty in Washington at the Navy Department, in the Office of the Assistant Secretary, Material Division, for the past year and a half, and has just been released from active duty.

At the same time, election of Calvin C. Vane as Treasurer of the Association was announced by Lt. Underhill. Mr. Vane recently returned from overseas as a staff sergeant in the Army, and has likewise just been released from the service. Prior to entering the Army in 1942, Mr. Vane was Assistant Treasurer of the Association, with which he has been connected for the past 7½ years. Lt. Underhill takes over the duties relinquished by Richard H. Stout, who resigned recently as President of the Association to become Vice President of the Industrial Bank & Trust Company of St. Louis in charge of consumer credit activities.

Lt. Underhill first entered Morris Plan banking circles in 1928 as secretary to Thomas C. Boushall, President of The Morris Plan Bank of Virginia. He subsequently attended the University of Richmond; then the University of Virginia, from which he was graduated in 1932, and returned to the bank as statistical and research assistant to the President. He later was elected an Assistant Cashier, then Assistant Vice-President in charge of public relations.

Prior to entering the Navy, Lt. Underhill was active in national, state and local banking and civic affairs. He was a member of the national Public Relations Committee of the American Institute of Banking, nominating committee of the Financial Advertisers Association, Banking Education and Public Relations Committee of the Virginia Bankers Association, board of directors of the Virginia State Junior Chamber of Commerce, public city committee of the Richmond Chamber of Commerce, and the board of directors of the Richmond chapter of the American Red Cross.

Ramspeck Leaving Cong. for Air Transport Post

Announcement was made on Nov. 26 of the election of Representative Robert Ramspeck (D.Ga.) to be executive vice president of the Air Transport Association of America. Mr. Ramspeck, who is resigning from Congress, is expected to take over his new post Jan. 1, at a salary reported to be about $25,000 a year, according to a special dispatch from Washington to the New York "Times." The "Times" states that the association is a trade group representing a large part of the United States airline industry.

Mr. Ramspeck, Democratic whip of the House, and during the last Presidential campaign, chairman of the Speakers' Committee, is reported by the "Times" to have introduced or inspired more legislation of benefit to Federal employes than any other member of Congress in history, during his Chairmanship of the Civil Service Committee. The new head of this committee is to be Representative Jennings Randolph (D.-W. Va.), according to the "Times."

French Hamper Allied Control, Eisenhower Says

In a report released at Frankfurt, Germany, Nov. 29, General Dwight D. Eisenhower, summarizing the situation in Germany in October, before he left there to become Chief of Staff of the United States Army, accused the French Government of hampering the Allied Control Council and urged early establishment of central German administrative machinery.

While praising the British delegation for going along in council matters for the sake of humanity, General Eisenhower declared, according to Associated Press reports:

"There was no similar solution of the deadlock which prevents establishment of the central German administrative machinery provided for by the Potsdam Agreement as necessary for the treatment of a Germany as a single economic unit. French authorities in October maintained their opposition to this principle. Only in November were there indications of progress. . . .

"On a number of other important matters, moreover, little progress was made during the month. A proposed law to authorize and encourage a federation of German trade unions on a national basis could not be adopted on account of French opposition."

Stating that the United States had no intention of "taking any active steps to raise Germany above the economic level required by humanitarianism," the Associated Press continued, General Eisenhower declared that German industry must be raised above the 5 to 7% of capacity at which it is now operating, and that food must be imported without thought of payment.

Displaced persons remaining in Germany are becoming restless also, the report said, and terrorist gangs have "caused considerable difficulty in certain areas."

The Associated Press added:

General Eisenhower said that the United States still was providing refuge in Germany for more than 80,000 Estonians, Lithuanians and Latvians despite Russian demands that they be turned over as Soviet citizens. Another headache are Ukranians of doubtful citizenship. The individuals themselves claim not to be Soviet citizens and therefore not subject to repatriation under the United States - Soviet agreements," he said.

Denazification is proceeding vigorously, the General reported. In the American zone 5,042 German Government and Nazi-owned properties valued at $114,900,000 have been seized.

Under Law No. 8, barring all former members of the Nazi party from employment other than manual labor, General Eisenhower said, 80% of the denazification of all industrial plants in the United States zone had been completed by the end of October.

"It is important to note that the revival of German agriculture, industry and trade which is being encouraged by the Military Government and the organization of German administrative machinery to take responsibility for the program," he said, "are necessary to avoid expense to the American Treasury."

While restlessness has been noticed, General Eisenhower said that "there is no indication of any organized resistance and the number of crimes of violence is, in the aggregate, very small." He warned, however, that the influx of refugees and returning prisoners of war was boosting the population of the American zone to close to 20,000,000 and "carries with it potential dangers of unrest and disease."

"The former complete docility of the German people is being replaced by conditions more normal to an occupied country," Eisenhower said. "Irritation among certain parts of the population because of fraternization, general pessimism about current conditions and future prospects, and the knowledge of prospective difficulties and hardships in the winter ahead have led to some restlessness."

Many Nazis attempted to get around the law by turning their businesses over to relatives and taking temporary leaves of absence, or cutting their pay to pose as manual laborers, he said, but military government officers are "taking steps to control such activities."

The German people, General Eisenhower said, still are "politically apathetic" in the face of approaching elections, with the Communists and Social Democrats "supplying the main drive."

"Wide sections of the population," he said, "consider that the parties and leaders which present themselves today are, to a large extent, the same as those which were unable to solve the problems of the Weimar Republic or to prevent the coming of Hitler and that these leaders now seem to be able to put forward very little that looks new or constructive."

Would Scrap Teen Age Military Bill

A proposed plan to scrap the teen-age military training bill and to act instead upon his resolution to outlaw compulsory military training by international agreement, was submitted to Congress on Dec. 2 by Representative Joseph W. Martin, Jr., House Republican leader. His request, it is learned from United Press accounts from Washington, was contained in a letter to Chairman Andrew J. May, (D.-Ky.), of the House Military Affairs Committee, which for more than a month has been considering an Administration bill to require a year's training for youths of 18 to 20.

The United Press advices from Washington Dec. 2 as given in the New York "Herald-Tribune" went on to say:

"Congressional sources, meanwhile, voice belief that the War Department has abandoned hope of getting the bill passed. They expect the committee to approve instead a measure calling for a shorter training period, as proposed by the American Legion and the Veterans of Foreign Wars.

"Representative Martin's resolution provides that before any program is adopted the United States should 'work unceasingly for an immediate international agreement whereby compulsory military service shall be wholly eliminated from the policies and practices of all nations.'

"He wrote Chairman May that the United States, Britain and Russia could bring about 'this reform' through the existing machinery of the United Nations.

"I firmly believe this effort should be made before we fasten compulsory military service in peace time upon the young men of the United States," he added. "This agreement would be a stimulant for world peace and at the same time lift from the backs of our people some of the heavy burdens of taxes.

"Certainly the great rewards which would result from the agreement are worth the effort. There would be more money available to build better homes; more money to increase the living standard; more money to make life a little more comfortable for the undernourished and unfortunate people of our land."

"He said that such an agreement also would "eliminate the need for the regimentation of the youth of America and that the control of young men during an important period of character development would remain in the family rather than the state."

Pearl Harbor Inquiry In Congress— Testimony of Hull, Grew and Richardson

Hearings before the joint House-Senate Committee investigating the Pearl Harbor disaster continue daily with a persistence which spares no one who may have any light to shed on one of the most crucial moments in the nation's history. On Nov. 19 Admiral James O. Richardson, special assistant to the Secretary of the Navy, told the Committee of a remark made to him by the late President Roosevelt 14 months before Pearl Harbor to the effect that sooner or later the Japanese would make a "mistake" and the United States would enter the war. At that time Admiral Richardson, the Associated Press pointed out in its report from Washington, was Commander in Chief of the fleet.

Testimony by former Secretary of State Cordell Hull and former Ambassador Joseph C. Grew have also figured in the hearings.

The transcript of Admiral Richardson's testimony on the conversation with President Roosevelt on the occasion mentioned, Oct. 8, 1940, as reported in the Associated Press account from Washington Nov. 19 follows:

I took up the question of returning to the Pacific coast all of the fleet except the Hawaiian detachment. The President stated that the fleet was retained in the Hawaiian area in order to exercise a restraining influence on the actions of Japan.

I stated that in my opinion the presence of the fleet in Hawaii might influence a civilian political Government, but that Japan had a military Government which knew that the fleet was undermanned, unprepared for war and had no train of auxiliary ships without which it could not undertake active operations, therefore the presence of the fleet in Hawaii could not exercise a restraining influence on Japanese action.

I further stated we were more likely to make the Japanese feel that we meant business if a train were assembled, and the fleet returned to Pacific Coast, the complements filled, the ships docked, and fully supplied with ammunition, provisions, stores and fuel and then stripped for war operations.

The President said in effect, "Despite what you believe, I know that the presence of the fleet in the Hawaiian area has had, and is now having, a restraining influence on the actions of Japan."

I said, "Mr. President, I still do not believe it and I know that our fleet is disadvantageously disposed for preparing for or initiating war operations."

The President said, "I can be convinced of the desirability of returning the battleships to the West Coast if I can be given a good statement which will convince the American people and the Japanese Government that in bringing the battleships to the West Coast we are not stepping backwards."

Later I asked the President if we were going to enter the war. He replied that if the Japanese attacked Thailand, or the Kra Peninsula, or the Dutch East Indies we would not enter the war; that if they even attacked the Philippines he doubted whether we would enter the war, but that they could not always avoid making mistakes and that as the war continued and the area of operations expanded sooner or later they would make a mistake and we would enter the war.

When Admiral Richardson took the stand, Nov. 19, an exchange of correspondence between him and Admiral Stark during 1940, when Admiral Stark was chief of naval operations, was entered in evidence. The general tenor of the correspondence, according to the Associated Press, was that Admiral Richardson did not like keeping the fleet based at Pearl Harbor. It had gone there in April during annual maneuvers with the expectation of returning to the Pacific Coast early in May. Instead it was ordered to remain there. When Admiral Richardson asked an explanation, he was informed by Admiral Stark that the purpose was to exercise a "deterrent" influence on Japanese actions.

The following day, Nov. 20, Admiral Richardson again took the stand and, according to the Associated Press, asserted that President Roosevelt had been "rather loath" to increase the man power of the Pacific fleet in midsummer, 1940. Said the Admiral, "The President was rather loath to increase the number of men because he felt, as he expressed it to me, that men in mechanical trade in civilian life could be quickly inducted and made into adequate sailormen if their services became necessary."

Admiral Richardson also recounted for the Committee a series of conferences he held with others besides the President, including Cordell Hull, then Secretary of State, shortly after the fall of France. The Admiral declared that after these conferences he left Washington "with the distinct impression that there was an opining in Washington that Japan could be bluffed." He added, "Mr. Hull very completely and comprehensively presented his views on the relations between the United States and Japan. He felt that we should take a very strong position, and that retention of the fleet in Hawaii was a reflection of that strong attitude." Admiral Richardson pointed out that he himself had urged that the fleet should not be massed at Pearl Harbor.

It was after this that Admiral Richardson was relieved as Commander of the fleet, he told the investigating committee on Nov. 21, according to the Associated Press. And on March 24, 1941, after he had been succeeded by Admiral Husband E. Kimmel, the late Secretary of the Navy Knox told Admiral Richardson the reason was that he had "hurt the feelings" of President Roosevelt by his difference of opinion.

Former Secretary of State Hull testified before the Joint Investigating Committee on Nov. 23 at which time he declared, according to the Associated Press, that far from having handed Japan an ultimatum, he and President Roosevelt played desperately for time before the Pearl Harbor attack. From the Associated Press accounts Nov. 23 we also quote:

Because of Mr. Hull's ill health, the committee permitted a committee counsel, Gerhard Gessell, to read the former Secretary's memorandum. Hull, himself, was excused from the morning's session after putting in an early appearance.

In a day-by-day account of diplomatic negotiations that preceded this country's entry into war, Mr. Hull made these points:

1. He gave the Cabinet repeated warnings before December 7, 1941, that Japan could be expected to attack "anywhere, anytime," since there appeared to be no hope of successful diplomatic negotiations.

2. Mr. Hull said that only by the United States's yielding "fundamental principles" could the Pearl Harbor attack have been prevented, with the prospect that it would have come after Japan "consolidated the gains she would have made without fighting."

3. He asserted that the cornerstone of his and President Roosevelt's efforts were to "avoid a showdown" with Japan while this country strengthened its defenses, adding that he "concurred completely in the view that no ultimatum should be delivered to Japan."

4. He revealed that most of the information this Government received indicated the Japanese would concentrate attacks on the Kra Peninsula, Siam, Malay Peninsula and the Dutch East Indies.

5. He disclosed that at the Atlantic Conference President Roosevelt had agreed with Prime Minister Churchill to take "parallel action" in informing Japan that in the event of further aggression they would be forced to move defensively.

Mr. Hull said in his statement that the original Japanese move into Southern Indo-China was the "overt act" that so changed the Far Eastern situation that it became a question no longer of this country's avoiding the risk of war but of making "a definite and clear move in self-defense."

That act, he said, brought about the July 26, 1941, order of President Roosevelt to freeze Japanese assets in this country.

Mr. Hull noted that at the Atlantic Conference of the President and Prime Minister Churchill in August, "Mr. Churchill had informed President Roosevelt that the British Government needed more time to prepare for resistance against a possible Japanese attack on the Far East."

"This was true also of our defense preparations," Mr. Hull said.

"Furthermore," he went on, "President Rooevelt and Mr. Churchill had agreed that the American and British Governments should take parallel action in informing Japan that, in the event the Japanese Government should take further steps of aggression against neighboring countries, each of them would be compelled to take all necessary measures to safeguard the legitimate rights and interests of its country and nationals and to insure its country's safety and security."

President Roosevelt gave the Japanese Ambassador this warning on Aug. 17 but agreed at the same time to continue negotiations. He and the President knew that the Japanese were "unreliable and treacherous," Mr. Hull said, adding that while "our Government desired peace, it could not brush away the realities of the situation."

Accordingly, they continued to talk with the Japanese in the hope that, at least, "the conversations would give our Army and Navy time to prepare."

Mr. Hull said Generalissimo Chiang Kai-shek reported early in November that the Japanese appeared to be preparing to attack Kunming. He asked for American air units and for a warning against Japan.

At Mr. Hull's suggestion, the Army and Navy studied this appeal but recommended against any armed intervention in China beyond the "Flying Tigers" volunteers. They urged additional material aid to China but wanted "no ultimatum delivered to Japan."

"I concurred completely in the view that no ultimatum should be delivered to Japan," Mr. Hull said. "I had been striving for months to avoid a showdown with Japan and to explore every possible avenue for averting or delaying war between the United States and Japan."

The former Secretary said that as early as Nov. 7, 1941, he told the Cabinet that "relations were extremely critical and we should be on the lookout for a military attack anywhere by Japan at any time."

He added that Ambassador Joseph C. Grew cabled warnings Nov. 3 and 17 "of the possibility of sudden Japanese attacks which might make inevitable war with the United States."

He said Saburo Kurusu, Japanese "peace" ambassador, suggested that a temporary agreement might be reached, but that on Nov. 20 the Japanese envoy presented a new proposal "which on its face was extreme."

Mr. Hull said he told Kurusu this formula offered nothing helpful. The same day, the witness continued, word was received from the Dutch that a Japanese force had arrived near Palao, nearest point in the mandated islands to the heart of the Indies.

"The whole issue presented," he said, "was whether Japan would yield in her avowed movement of conquest or whether we would yield the fundamental principles for which we stood in the Pacific and all over the world. . . . They were armed to the teeth and we knew they would attack whenever and wherever they pleased."

Regarding the situation as "critical and virtually hopeless" he said he nevertheless went ahead with effort to draft a temporary agreement.

On Nov. 25, he said he told the war council, consisting of the President, Secretaries of State, War and Navy, the Army Chief of Staff and the chief of naval operations that "the Japanese military were already poised for attack."

The temporary agreement never was presented to the Japanese. Instead, Hull restated to them on Nov. 26 the principles of peaceful co-operation and non-aggression on which he said the United States stood. This, he went on, was what Japanese propagandists later called his "ultimatum."

At a Nov. 28 meeting of the war council, Mr. Hull said he pointed out that there was "practically no possibility of an agreement being achieved with Japan." He reiterated, he declared, that it was up to the Army and Navy to safeguard national security.

Mr. Hull recounted various reports received of Japanese military activities, including a reported plan for them to attack the Kra Peninsula on Dec. 1 and the landing of additional troops in southern Indo-China.

"On Nov. 30," he said, "I was informed by the British Ambassador that the British Government had important indications that Japan was about to attack Siam and that this attack would include a seaborne expedition to seize strategic points in the Kra Isthmus."

Mr. Hull telephoned Roosevelt Nov. 30 to come back from Warm Springs.

Then on Dec. 6, Hull said the Government received reports that a Japanese fleet of 35 transports, eight cruisers and 20 destroyers was moving from Indo-China toward the Kra Peninsula.

"This was confirmation that the long threatened Japanese movement of expansion by force to the south was under way," he said.

He noted the President's telegraphic appeal that day to the Emperor of Japan to avert the "tragic possibilities."

"On Dec. 7, the Japanese struck Pearl Harbor," he concluded at this point.

In further testifying before the Senate-House Investigating Committee on Nov. 27, former Secretary Hull branded as "an infamous charge" the implication in an Army inquiry board's report that the note he handed Japanese "peace" ambassadors on Nov. 26, 1941, touched the button that started the Pacific War.

Mr. Hull in his testimony assailed in vigorous language the interpretations made by the Army Board, said the Associated Press, which went on to say in part:

"I sat under that infamous charge for months when every reasonable minded person knew that the Japanese were attempting at that time to get complete control of the Pacific," he declared. "Somebody who knows little about what was going on and who cares less, says 'Why didn't the United States make concessions and keep us out of war?' Any reasonable person knows that the Japanese were bent on attack and knows that we could not have stopped them unless we had laid down like cowards."

Mr. Grew has challenged the interpretation.

The former Secretary said in response to a question by Senator Lucas that he had not been called to testify before the Army Board, but had furnished it with some documents. He said he had been "gratuitously brought into the report, apparently on the theory that Tojo and the military element moving absolutely with Hitler on world conquest were not doing so and were not guilty, and that this peaceful Government, with no two-ocean Navy, forced peace-minded Tojo and Hitler, that bunch of saboteurs, into war."

Under questioning by Senator Lucas, Hull said the presence of the United States fleet at Pearl Harbor must have had some restraining influence on the Japanese and the Germans.

Mr. Hull also testified, in response to questioning, that he did his best to keep the War and Navy Departments advised of the crisis as Dec. 7 approached.

Senator George (D.-Ga.) also drew from Hull affirmation of these statements:

1. That Mr. Hull told fellow Cabinet members on Nov. 7 that an attack anywhere by Japan, "at any time," was threatened.

2. That on Nov. 25 he told a war council meeting that the Japanese were "already poised for attack" and the safety of the country rested with the Army and Navy.

3. That on Nov. 28 he reiterated the statement to another war council meeting, stressing the element of possible surprise.

Telling of his last meeting with the Japanese peace envoys on Dec. 7, 1941, Mr. Hull said that the White House called him about noon that day with report that the Japanese had attacked Pearl Harbor, but his informant was not able to confirm it immediately.

The question arose, Mr. Hull said, whether he should receive the Japanese at all or whether he should leave open the one chance in ten that the reported attack had not taken place. Hull said he went into the meeting to find that the Japanese delegates were talking "peace, peace, peace."

Because of the report he had received, Mr. Hull said he "felt like taking liberties in talking with them about their Government that would have been a little undiplomatic in ordinary times."

Representative Cooper (D.-Tenn.) asked Hull for his estimate of Saburo Kurusu and Kichisaburo Nomura.

The former Secretary said it was his belief that both envoys knew during the negotiations that "they were here primarily to prevail on us to abandon our doctrines and policies and yield entire control of the Pacific west of Hawaii, including India and the trade routes, to Japan."

Mr. Hull said he didn't know whether Nomura and Kurusu knew definitely that Pearl Harbor was to be attacked. He added, however, that intercepted messages showed the Japanese envoys were instructed by Tokyo as early as Nov. 27, 1941, to "continue talking with us as though they were in earnest, though they were not."

Mr. Hull was applauded by the audience as he left the witness stand and made his way slowly to the door.

Mr. Grew, resuming his testimony, was questioned by Senator Ferguson (R.-Mich.) about correspondence the former Ambassador had with the late President Roosevelt in December, 1940. Senator Ferguson recalled that Mr. Grew wrote Mr. Roosevelt that the question "is not whether we call

a halt to the Japanese program, but when."

Mr. Grew read from his records that Roosevelt replied that he was in "decided agreement with your conclusions," but that the whole problem was a global one for which "hard and fast plans" could not be laid down.

Mr. Ferguson asked whether Mr. Grew's letter meant that he saw "in the near future a war between the United States and Japan."

The witness replied that he was doing all he could to prevent war.

In testifying on Nov. 26 before the Committee, former Ambassador Joseph C. Grew told Congressional investigators that the State Department, in its efforts to maintain peace in 1941, offered the Japanese "everything they ostensibly were fighting for."

"I don't say everything they were fighting for but everything they ostensibly were fighting for," he emphasized. In part the Associated Press also stated:

Mr. Grew depicted Japan of late 1941 as under control of a military government which had prepared it militarily and psychologically for war and was unwilling to listen to reason.

It was much the same view the Pearl Harbor Committee had received earlier from former Secretary of State Hull who summed up by saying "the trouble" was that Japan was "hell-bent" on conquest.

Mr. Grew took a stand alongside Mr. Hull, too, in contending that the American proposals of Nov. 26, 1941, which the Japanese later called an "ultimatum," were nothing of the kind.

Furthermore, he denied that he had ever said, as an army inquiry board quoted him, that the Nov. 26 note "touched the button that started the war."

Japan's leaders, with their controlled press and easily molded public opinion, could have accepted the American position, Mr. Grew declared, and turned it into a "great diplomatic victory" for home consumption—if they had wanted peace.

Both Messrs Grew and Hull gave it as their opinions that:

1. Keeping the fleet in Pearl Harbor in 1941 was a deterrent to Japanese aggression elsewhere in the Pacific. Grew said Japanese officials had even suggested to him that the fleet be removed to the Atlantic.

2. If a modus vivendi—a temporary sort of agreement—had been presented to Japan in an effort to keep peace conversations going it likely would have had no actual effect on the developments.

Mr. Grew related that Japanese officials held up for 10 hours the delivery to him of President Roosevelt's last-minute peace appeal to Emperor Hirohito. He did not know, he said, whether the Emperor ever actually saw it.

He also declared that the American note which Nipponese leaders later described as an "ultimatum" was kept secret from the Japanese people.

In an hour in the witness chair, the aged and ailing Hull upheld in pungent language the course and actions he and President Roosevelt took in the critical months before the sneak raid Dec. 7, 1941, plunged this country into war.

With irritation in his voice, he declared that this 10-point note of Nov. 26, presenting counter-proposals to Japan's demands, was not an "ultimatum" and had been subjected to "misrepresentation" and "ignorant interpretation."

"There was nothing in there that any peaceful nation would not have been delighted to accept," he declared.

"The only trouble was that the Japanese were bent—if I did not see ladies present, Mr. Chairman, I would say hell bent—on their military policy. They had their guns drawn."

Frequently, Mr. Hull admonished the Committee members to recall the situation in the world and in this country at the time of events about which he was asked.

He recalled for them that objections had been raised when the State Department protested Japanese killing and injury to Americans in China and the bombing of the Panay.

There were people who asked, "what are you trying to do, get us into war?" he said, adding that "one of them lectured all over the country. His slogan was 'get the Hell out of China.'"

He related that he had had the Japanese peace Ambassadors to his apartment "35 or 40" times for conversations as he explored every possibility for peace in the Pacific.

At no time, he said, would they even talk of Japan's dropping its alliance with Germany which was "aimed primarily at us." Then in their Nov. 20 demands, Mr. Hull declared:

"They said you must give us all the oil we need now or we may have trouble in attacking you."

Also read into the records of the Congressional Committee, on Nov. 24, according to the Associated Press, was a message from Winston Churchill to President Roosevelt a week before the Pearl Harbor attack. Labeled "Personal and secret for the President from former naval person" ("former naval person" was identity concealing name chosen for Mr. Churchill because he had formerly been First Lord of the British Admiralty), and transmitted by United States Ambassador Winant, the message said:

It seems to me that one important method remains unused in averting war between Japan and our two countries, namely a plain declaration, secret or public as may be thought best, that any further act of aggression by Japan will lead immediately to the gravest consequences.

I realize your constitutional difficulties but it would be tragic if Japan drifted into war by encroachment without having before her fairly and squarely the dire character of a further aggressive step. I beg you to consider whether, at the moment which you judge right, which may be very near, you should not say that that any further Japanese aggression would compel you to place the gravest issues before Congress or words to that effect.

We would, of course, make a similar declaration or share in a joint declaration, and in any case arrangements are being made to synchronize our action with yours. Forgive me, my dear friend, for presuming to press such a course upon you, but I am convinced that it might make all the difference and prevent a melancholy extension of the war.

Eisenhower's Merger Testimony Termed "Pure Fantasy"

Part of the testimony of Dwight D. Eisenhower, General of the Army, dealing with the Army-Navy merger proposal, was described as "pure fantasy" on Nov. 29 by Assistant Secretary of the Navy H. Struve Hensel, it was reported by the United Press in advices from Washington, which as given in the New York "World-Telegram" went on to say:

Mr. Hensel appeared before the Senate Military Affairs Committee. He attacked merger testimony of Gen. Eisenhower and former Assistant Secretary of War John J. McCloy.

Mr. Hensel said:

"Gen. Eisenhower ventured a flash guess that we could be militarily stronger with an expenditure of only 75% of the money if we had one department instead of three departments—which to a large extent we had during the war.

"To support Gen. Eisenhower's flash guess would have required proof of savings of some $66,000,000,000.

"To have saved billions of dollars, and particularly some $66,000,000,000 above the savings effected (through excess profits tax and renegotiation of contracts) is to enter the realm of pure fantasy."

Mr. Hensen said he did not "mean to imply that there is no room for improvement in procurement—I merely wish to turn the discussion from the astronomical realms in which it was pitched and return it to earth and reality."

Observations

(Continued from first page)

scale, would go far in preventing the loss of able men.

* * *

It is now generally realized that one of the chief reasons for the abortive results of the President's National Labor-Management Conference was its failure to deal in any manner with the present wage-price controversy. As was pointed out in this column before the Conference's opening, the exclusion from the agenda of the acute current situation by the long-term problems, was wholly illogical. This served to represent the official view as holding that the present wage-price fight was too hot to elicit any agreement.

The Conference also might have been greatly helped by including delegates representing the **public**, making the proceedings tri-partisan instead of bi-partisan. Although labor leaders justify the barring of public representatives on the ground that they would have been sitting without power, that they were without contact with a "constituency," and that there should be no split decisions; nevertheless impartial backing of any constructive conclusions would have been of great service in moulding public opinion.

* * *

A hot tip on the identity of our next President: a prominent left-wing labor leader, whose vote has hitherto never strayed from the Democratic ticket, tells this columnist that he would be delighted to bolt to Eisenhower in 1948.

* * *

It is understood that although War Finance Committee workers in the current Bond Drive are maintaining their enthusiasm to the full, the public's apathy is increasing markedly. Despite even such amazing feats as the auctioning of the Brooklyn Bridge by Mayor LaGuardia last Sunday, the distribution of E Bonds is lagging far behind the previous drives, and the number of individual buyers has declined even more. The main trouble seems to be found in the cessation of the public's wartime psychology. Slogans following the line of "Bring the Boys Back Home," or "Finish the Job," are inclined to fall flat on a public that is convinced that those worthy ends will be fiscally taken care of in any event.

This post-war apathy has serious long-term implications because of the Treasury's plans for continuing the payroll-savings campaign permanently. A new motivation and sales theme will have to be developed to maintain and increase this anti-inflationary bond distribution.

* * *

A showdown is sure to occur between the newly-constituted Ontario securities commission and the SEC. The new Canadian Commissioner, C. P. McTague, is complaining bitterly that despite the SEC's pleas for reciprocity, it want it entirely a one-way affair. As we do not accept the Canadian qualifications, they will pay no attention to our cease-and-desist orders—particularly as we make no differentiation between their mining and industrial issues.

U. S. Chamber to Study Finance Problems

Urgent financial problems of the postwar period are to receive early attention by two committees of the Chamber of Commerce of the United States. The two committees are the Committee on Federal Finance, of which Ellsworth C. Alvord of Washington, D. C. is Chairman, and the Finance Department Committee, of which Robert M. Hanes of Winston-Salem, N. C., is Chairman. The two groups are associated with the work of the Chamber's Finance Department, of which John J. O'Connor is manager.

Three subjects of major importance are scheduled for consideration and action by the Committee on Federal Finance. These are:

"1. **Amendments to tax laws for presentation to Congressional committees in connection with the general revision of the internal revenue code in prospect early in 1946.** The Committee already has dealt with proposals for inclusion in the emergency tax-reduction measure which is to be made effective on January 1, 1946.

"2. **Policies to govern the management and retirement of the public debt.** The committee has been engaged in a study of this problem through a subcommittee for the past year and the formulation of a specific program is nearing completion. The Finance Department recently issued a factual analysis of the public debt problem.

"3. **Possible reductions in federal expenditures with a view to maixmum economy and attainment of a balanced budget.** The committee is pressing a program for control of expenditures which was set forth in a pamphlet issued in 1944.

The Committee on Federal Finance also is active with various questions which have a bearing on fiscal policies, including the termination of war contracts and the renegotiation of war contracts. The Finance Department is preparing to explore a number of subjects within its jurisdiction and on which legislation or administrative action is possible during the coming year. These include:

"1. **Additional credit facilities for business.** Several proposals for legislation to broaden the scope of governmental credit agencies, particularly with a view to assistance to small business, are pending in Congress. The desirability of action in this direction as well as trends with respect to existing credit agencies of the government will be appraised by the committee.

"2. **Banking and monetary legislation.** War developments have created new conditions affecting the banking system and monetary laws which will call for study with a view to possible legislative action. The committee includes in its membership a considerable number of bankers who are well equipped to deal with these subjects.

"3. **Revision of Securities Laws.** The committee proposes to devote attention to changes in the various laws, which are administered by the Securities and Exchange Commission, in the light of the experience of the past decade. Consideration of this matter by Congressional committees was interrupted upon our entrance into the war.

"4. **International Finance.** The committee will keep abreast of developments in connection with world currencies and credits to other nations. In 1944 and 1945 the committee issued factual studies and recommendations during the formulation of and action upon the Bretton Woods proposals for an International Monetary Fund and an International Bank for Reconstruction and Development."

The two committees submitted referendum proposals to the Board of Directors and the membership of the Chamber during the past year and expect to offer further policy declarations for action during coming months.

Appropriation Asked For Flood Control

While the House Appropriations Committee on Nov. 26 disregarded President Truman's request for $128,475,000 to put flood control and navigation work back on a peacetime basis in omitting the sum from a deficiency appropriation bill for expenditures from now until June 30, the House on Nov. 30 overrulled its Appropriations Committee to add $122,275,000 for navigation and flood control to the bill. The action coincided with President Truman's request for the money to put war-halted water programs back on a peacetime basis, as suggested by the Army engineers.

By a standing vote of 137 to 83, said the Associated Press, the House approved the fund, providing for scores of projects throughout the country. The Associated Press advices also stated:

The Committee, led by its Chairman, Representative Cannon (D.-Mo.), wanted the appropriation shelved until the engineers submitted their estimates for the new fiscal year beginning next July. But the fund was added to a deficiency bill carrying $1,131,452,312 in appropriations. The bill was passed by the House on Nov. 30, following which it was sent to the Senate.

The Committee action on Nov. 26, according to Washington Associated Press advices, slashed budget estimates for reclamation, the President's request for $80,600,000 being cut to $63,200,000. Ruling against use of the fund for transmission lines to serve prospective purchasers, the Committee said that the reclamation fund would be ample for important projects in the West.

Oct. Gas Sales Lower

October sales of the gas utility industry amounted to approximately 1,869,856,000 therms, according to the American Gas Association. This was a decrease of 2.4% when compared with sales totaling 1,915,755,000 therms in October 1944. The Association's new index number of utility gas sales was 163.5 for October (1935-39=100.0).

In the 12 months period ended Oct. 31, 1945 sales totaled approximately 25,283,803,500 therms, an increase of 2.2% over the same period ended October 1944.

Manufactured and mixed gas sales in October were estimated at 217,305,700 therms, or a decrease of 0.6% from sales in October 1944. The corresponding October index number of manufactured and mixed gas sales was 130.2% of the 1935-39 average.

Sales of the manufactured branch of the industry increased 3.4% in the 12-month period ending Oct. 31, 1945, rising from approximately 2,855,915,000 therms in the period ending a year ago to 2,953,412,500 therms in the current year.

Natural gas sales were estimated to have decreased 2.6% in October 1945, falling from 1,697,177,000 therms last year to 1,652,550,000 therms. The Association's new natural gas sales index number stood at 168.6 for October.

It was estimated that natural gas sales were 22,330,391,000 therms in the 12 months ending Oct. 31, 1945 as compared with 21,875,846,000 therms in the same period ending 1944, corresponding to a 2.1% increase.

[A therm is a unit of measurement of gas supply which takes into account variations in heating value. One therm is roughly equivalent on the average to 1,000 cubic feet of manufactured and mixed gas or to 100 cubic feet of natural gas.]

Truman Asks Congress to Enact Strike Curb Measure

(Continued from first page)

bor relations would be turned back into the hands of those involved.

Government an Observer

It was decided that full responsibility for reaching agreement on such a program would be left with the representatives of labor and management. Accordingly, the conference was made up of leaders of labor and management only. Government representatives participated only as observers without vote. The agenda and the entire program were worked out by the leaders themselves.

In opening the conference I said:

"I want to make it clear that this is your conference—a management-labor conference — and not a Government conference. You have not been chosen by me or by any Government official. You have been selected by the leading labor and industrial organizations in the United States. There has been no interference by Government in that selection.

"The time has come for labor and management to handle their own affairs in the traditional American, democratic way. I hope that I can give up the President's wartime powers as soon as possible so that management and labor can again have the full and undivided responsibility for providing the production that we must have to safeguard our domestic economy and our leadership in international affairs."

I am sure that it was the hope of the American people that out of this conference would come some recommendation for insuring industrial peace where collective bargaining and conciliation have broken down.

No Accord

The conference is now closed. The very fact that the top leaders of labor and management have met and worked together for more than three weeks is itself some progress.

Some agreements on a few general principles were also reached. For example, agreement on the principles of collective bargaining and recommendations on the detailed procedure to be used, agreement on strengthening and enlarging Governmental conciliation services, recognition of the necessity of eliminating discrimination in employment, agreement on settling by voluntary arbitration grievances under labor contracts and disputes concerning their interpretation—these are all valuable.

But on the all-important questions of how to avoid work stoppages when these expedients have failed, the conference arrived at no accord. Failing in that, the conference was unable to attain the objective most necessary to successful reconversion.

Peril to Reconversion

If industrial strife continues, the quick reconversion which has been planned, and which is now proceeding on schedule or even ahead of schedule on many fronts, will fail. In that event, we shall face a period of low production, low consumption, and widespread unemployment — instead of the high production, high employment, good markets and good wages that are within our grasp.

The history of labor relations has proved that nearly all labor disputes can and should be settled by sincere and honest collective bargaining. The vast majority of those disputes which are not adjusted by collective bargaining are settled through Government conciliation. For example, during the month of October, last, 354 strikes were settled by the Conciliation Service, and 1,282 labor controversies were adjusted before any work stoppages occurred.

The American people commend the many instances where management and labor have settled their problems peacefully. Many of these were in critical industries where work stoppages would have gained great prominence in the newspapers and over our radios. But when industrial disputes were settled, little notice was taken of them by press or radio.

We know, however, that there are always some disputes that cannot be settled this way.

Industrial strife in some key industries means not only loss of a great amount of wages and purchasing power, but it may have ramifications throughout the country affecting the whole reconversion process. In such industries, when labor and management cannot compose their differences, the public through the Federal Government has a duty to speak and to act. In the last analysis, labor, management and the public have the same interest.

The reconversion effort is now going well. The people have a right to expect it to succeed. Specific obstacles that stand in its way must not be allowed to defeat that expectation.

Good labor relations are just as important now as they were during the war. They should be based on justice, and not on tests of strength. Any industrial dispute which depends for settlement upon the respective strength of the parties results in loss to everyone: it causes the loss of wages to the worker and his family, loss of dividends to the stockholders and owners of the industry, loss of goods to the public.

More Strife Threatens

I regret that labor and management have not been able to agree on machinery that would provide a solution for existing strikes in some of the major industries and for the strikes which are threatened. Strikes already in effect may possibly cripple our reconversion program. Negotiations have broken down in other industries, and stoppages are threatened.

The American people have been patient. They have waited long in the hope that those leaders in labor and management whose business it was to handle this problem would be able to do so in agreement. The Federal Government declined time and again to make any suggestion to the conference as to proper machinery. All that the Government did was to point out the objective which the American people expected it to attain.

Government Must Act

Now that the conference has adjourned without any recommendation on the subject, it becomes the duty of the Government to act on its own initiative. Therefore, I now suggest to the Congress that well - reasoned and workable legislation be passed at the earliest possible moment to provide adequate means for settling industrial disputes and avoiding industrial strife.

I recommend that for the settlement of industrial disputes in important nation - wide industries there be adopted the principles underlying the Railway Labor Act. The general pattern of that act is not applicable to small industries or to small local disputes in large industries. But it would be effective, as well as fair, in such widespread industries, for example, as steel, automobile, aviation, mining, oil, utilities and communications. I do not intend to make this list exclusive. Nor do I think that local inconsequential strikes even within these industries should be included. The objective should be to cover by legislation only such stoppages of work as the Secretary of Labor would certify to the President as vitally affecting the national public interest.

In industrial disputes in such industries, where collective bargaining has broken down and where the conciliation service of the Federal Government has been unable to bring the parties to agreement and where the Secretary of Labor has been unable to induce the parties voluntarily to submit the controversy to arbitration, I recommend the following procedure:

Upon certification by the Secretary of Labor to the effect that a dispute continues despite his efforts and that a stoppage of work in the affected industry would vitally affect the public interest, the President or his duly authorized agent should be empowered to appoint within five days thereafter a fact-finding board similar to the emergency board provided for under the Railway Labor Act.

Maintain Status Quo

I recommend that during these five days after the Secretary of Labor has made the above certificate it be unlawful to call a strike or lockout or to make any change in rates of pay, hours or working conditions or in the established practices in effect prior to the time the dispute arose.

The board should be composed of three or more outstanding citizens and should be directed to make a thorough investigation of all the facts which it deems relevant in the controversy. In its investigation it should have full power to supoena individuals and records and should be authorized to call upon any Government agency for information or assistance. It should make its report within 20 days unless the date is extended by agreement of the parties with the approval of the President. The report should include a finding of the facts and such recommendations as the board deems appropriate.

While the fact-finding board is deliberating and for five days thereafter it should be made unlawful to call a strike or lockout, or to make any changes in rates of pay, hours, working conditions or established practices, except by agreement.

Let Public Judge

The parties would not be legally bound to accept the findings or follow the recommendations of the fact-finding board, but the general public would know all the facts. The result, I am sure, would be that in most cases, both sides would accept the recommendations, as they have in most of the railway labor disputes.

I believe that the procedure should be used sparingly, and only when the national public interest requires it.

The legislation should pay particular attention to the needs of seasonal industries, so that the so-called "cooling-off periods" can be arranged in those industries in a manner which will not subject labor to an undue disadvantage.

There are other subjects which were on the agenda of the labor-management conference, on which no agreement was reached. The most immediate, the most pressing, however, is this one of machinery. I hope that the Congress will act upon this matter as quickly as possible—and certainly before its Christmas recess.

The General Motors Strike

In order to avoid any delay in the settlement of the most important existing strikes, I am appointing such a fact-finding board for the present stoppage in the dispute between General Motors Corporation and the United Automobile Workers. While this board will not have the statutory powers which I hope the Congress will soon authorize, I am sure that the American people will expect the employer and the employes to cooperate with the board as fully as if appropriate legislation had already been passed.

In the meantime I am asking both parties to the dispute to display the same kind of patriotism as they displayed during the war. I am asking all the workers to return to work immediately and I am asking the employers to proceed energetically with full production. I make this appeal on behalf of the American people to their fellow-citizens who are now responsible for this major obstacle holding up our reconversion program.

In connection with the threatened strike involving the United States Steel Corporation and the United Steel Workers I am appointing a similar board. The public will expect full cooperation with the board by both sides. I am making the same appeal to the United Steel Workers to remain at work pending the report of the board's findings and recommendations.

Urges Action by Congress

I hope that the Congress will approve the steps which I am now taking. They are being taken in the interest of accelerating our production, promoting our reconversion program and pushing forward to a higher standard of living.

This is an immediate program which is fair to both sides. I hope that the Congress, naturally disappointed at the failure of labor and management to agree upon a solution for the prevention of industrial disputes, will not adopt repressive or coercive measures against either side. A free American labor and a free American private enterprise are essential to our free democratic system. Legislation which would stifle full freedom of collective bargaining on either side would be a backward step which the American people would not tolerate.

I am sure that the Congress will give its calm and careful consideration to this matter so essential to the progress of American life.

Labor-Management Parley Ends Without Decision

(Continued from first page)

action in violation of the labor agreement.

In order to provide effective measures to carry out the letter and the spirit of the labor agreement, it is recommended that each agreement or contract provide for appropriate guarantees to insure complete and effective compliance with provisions of the agreement prohibiting strikes, lockouts or boycotts.

For years, in the public interest, legislation and governmental regulations have controlled the activities and defined the responsibilities of employers. Likewise in the public interest, the activities of labor organizations should be controlled and their responsibilities appropriately defined to assure equality of status before the law. Equity requires that both parties to a labor agreement be equally answerable as entities in judicial proceedings for conduct in violation of contracts or legal requirements.

An item of contention, in which the management group differed with labor was that of "union security" or enforced membership of employees. Regarding this, the management report states:

Management attempted earnestly to secure labor's endorsement of the principle, that just as selection of representatives for bargaining is based on free choice protected by law, so, too, must the bargaining process be conducted in an atmosphere free from compulsion or force. No agreement could be reached, however, on the statement that collective bargaining in the interest of management, labor and the public must be practiced with full regard for protection of individuals and property against unlawful acts.

Consistently present in each draft submitted by labor was a declaration that "union security, protected by the collective bargaining agreement, strengthens the process of collective bargaining."

A reasonable measure of security is a condition legitimately sought by all individuals and organizations. It is a fundamental principle in a democracy. But "union security" protected by a labor agreement means one thing only — inclusion in labor agreements of provisions which require employees to join the union or once having joined, to forego any freedom to relinquish membership if for good and sufficient reason they conclude that such is the proper course. Union security means closed shop, union shop or maintenance of membership. Union security accomplished by enforced membership is contrary to the principle of full freedom to choose or not to choose representatives for collective bargaining purposes. Union security in any lasting sense cannot be induced by managerial acquiescence in restrictive measures which may deprive individuals of freedom of choice. Union security, as well as security for any individual or group in a democracy, must be earned. It must flow from a ready willingness of individuals to limit their freedom of choice by acceptance of the interest of the group.

Union security cannot be guaranteed by imposition by management of requirements upon individuals. In fact, enforced membership in labor unions or enforced measures of any character are liable to generate resentments which in turn may lead to instability and unrest. Sound leadership coupled with enduring service, which regards the interest of individuals as interwoven with the interest of the enterprise of which they are a part, is a formula for continuity and security.

Union security, security of business enterprises, security of the family group and security of the American way of life must result, if it is to be real and lasting security, from the free, unhampered choice of individuals within the limitations of sound and just law designed to preserve, protect and further the interests of all people.

Jurisdictional Controversies

In the matter of representatives in collective bargaining and jurisdictional disputes, separate reports were made by the management and labor groups. The management members' report on this question is in part as follows:

Management members of the committee on representation and jurisdictional questions submit the following principles and procedures to minimize interruptions in production and service caused by representation and jurisdictional disputes.

These recommendations are based on the fundamental principle that where adequate machinery exists for the peaceful settlement of such disputes there can be little, if any, justification for the continued use of economic force or coercion in their solution.

A. Determination of Collective Bargaining Representatives

1. Whenever a question arises as to which, if any, representative has been selected by a majority of employees in an appropriate bargaining unit for purposes of collective bargaining, every effort should be made by the employers and the representative or representatives involved to reach a voluntary non-collusive determination of the question, consistent with the principles established by the National Labor Relations Act.

2. In the event that efforts at such voluntary determination are unsuccessful, prompt resort should be made to State or Federal agencies empowered to determine (a) whether a majority of employees in an appropriate bargaining unit choose to be represented by a collective bargaining representative, and (b) which, if any, such representative has been so selected.

3. Unless substantial questions relating to the representation issue or the agencies' determination thereof are involved, employers and labor organizations should expedite determinations by such agencies by agreeing to consent elections and by accepting the representation determinations of such agencies as final.

4. Pending the determination of representation questions, either by voluntary agreement of the parties or by the procedures provided in connection with determination by such agencies, there should be no strikes, boycotts, or other interference with operations by employees or labor organizations, and no lockouts or unfair labor practices, as defined by law, by employers. Following such determination by a State or Federal agency, both the employer and the certified collective bargaining representative should be protected by such agency, in the negotiation and orderly administration of a labor agreement, against interference by any other person or organization. Such interference should be made an unfair labor practice, to be dealt with by such agency in accordance with its established procedures.

5. To the end that the National Labor Relations Board may be enabled best to perform its functions in the prompt and impartial determination of representation questions, the Board should remain as an independent agency and should be provided with adequate appropriations.

6. If, at the time for giving notice of revision or renewal prior to the expiration date of a labor agreement, there is a substantial doubt that a majority of the employees covered by the labor agreement desire that the existing bargaining representative continue to represent them, the employer should be entitled to give prompt written notice thereof to the existing bargaining representative and to the State or Federal agency authorized to determine representation disputes. If the State or Federal agency finds that a substantial doubt does in fact exist, it should, upon request of either party, proceed promptly to a redetermination of the question of representation through a consent election, provided that the existing bargaining representative desires to continue as such. Where two or more contending labor organizations are involved, the State or Federal agency should conduct an election upon the request of either labor organization or the employer.

7. A State or Federal agency having jurisdiction should not establish as appropriate a collective unit exceeding a single establishment (such as a plant or store) unless mutually agreed to by the employer or employers and the labor organization or organizations involved, or unless otherwise established by the prior collective bargaining practice of such employer or employers.

B. Jurisdictional Disputes

1. Jurisdictional disputes here under consideration are disputes between labor or organizations over questions as to which labor organization should perform given types of work.

2. The public interest requires that interruptions to the production of goods and performance of services by strikes, boycotts, or other interference with operations arising out of jurisdictional disputes should be eliminated.

3. To this end, labor organizations should develop, publish and file with the National Labor Relations Board definite procedures under which such jurisdictional disputes can be finally resolved. Such procedures should assure:

A. That no strike, boycott or other interference with operations arising out of a jurisdictional dispute will occur.

B. That all jurisdictional disputes, whether arising between unions affiliated with the same organization, or between unions affiliated with different organizations, or between affiliated and non-affiliated unions, be determined under such procedures.

C. That pending settlement of a jurisdictional dispute, the work will proceed on the same basis on which it was being performed at the time the dispute arose, or if the work had not been commenced, it will be started as determined by the employer.

D. That the determination of a jurisdictional dispute will not require the violation of the terms of an existing valid labor agreement.

3. That in the determination of any jurisdictional dispute, the employer will not be required to employ more employees on any operation than are necessary properly to perform the operation, and that the determination will not unduly increase the cost of production or performance of services nor impair or restrict the responsibiilty of management to direct the working forces and conduct a successful business.

A determination of a jurisdictional dispute made in full accordance with these standards should be accepted and effectuated by the employer, employees and labor organizations involved.

4. In the event the procedures set forth in Paragraph 3 above for the settlement of jurisdictional disputes without interference with operations are found to be inadequate to attain this objective, procedures incorporating these standards should be established by legislation to accomplish this objective.

5. Employers, in assigning work, should give due consideration to established jurisdictional practices with respect to given types of work, to the end of avoiding conditions which might lead to such jurisdictional disputes.

Explanation of Labor Group

To the propositions offered above regarding representation and jurisdictional disputes the labor representatives reported as follows:

The issue presented to this committee is a simple one, namely, whether industrial disputes can be minimized by the willingness of management and workers to utilize the machinery of the National Labor Relations Act and any existing State labor relations acts for prompt determination of the questions consistent with the principles established by the National Labor Relations Board.

The answer is clear. Such practices by labor and management will definitely minimize industrial disputes. The expression of labor's representatives is directed towards this objective.

On the contrary, the proposals of management's representatives would extend industrial strife rather than minimize it. Paragraph 4 of management's report a clear proposal to amend the National Labor Relations Act.

Under that law it is specifically stated that nothing therein shall be construed in any way to impede or interfere with outstanding rights of labor to strike or take other concerted action or mutual aid. Management proposes to repeal that provision. The result thus sought by management is to impose industrial slavery on American workers.

Management further proposes that it be given the right upon the termination of any collective bargaining agreement to question the majority status of the union with which it has a contract, and thereupon compel such union to proceed before the National Labor Relations Board or an appropriate State agency to obtain a renewal of its certification as the representative of the majority of the employees involved.

It should be clear and self-evident that any such proposal could be subjected to abominable abuse by employers who still yearn to destroy labor unions. No labor organization could be safe if upon the termination of its agreement it could be denied recognition by the employer until a new certification by the national board or a State board were to be obtained.

Further, it should be recognized that this proposal is a violent revision of outstanding rules of the National Labor Relations Board. Labor does not consider that this conference was called either to accomplish drastic revision of the Wagner Act or a drastic revision of outstanding rules of the National Labor Relations Board.

This is normally done to equalize the economic bargaining power of management and labor. This approach does tend to minimize industrial disputes. Management's proposal, in effect, would compel a labor union to bargain on a plant basis where, admittedly, the plant management would have absolutely no authority to consummate an agreement with the labor union.

The essence of managament's proposal is that they seek, first, to cripple existing legislation enacted to protect labor, and to obtain further legislation which will even more drastically weaken labor unions and possibly accomplish their ultimate destruction.

To the contrary, labor's proposals are designed to establish a basis for cooperation between labor and management, which is of the essence in any bona fide attempt to minimize and reduce industrial strife.

Managerial Rights

On the controversy regarding managerial rights, the management group set down the following conditions which constitute the functions of management:

It should be an obligation on the part of unions to recognize, and not encroach upon, the functions and responsibilities of management. Failure to accept this obligation has increased labor disputes. Even today, efforts are continuing on the part of certain unions to extend the scope of collective bargaining to include matters and functions which are clearly the responsibility of management. The functions of management must be preserved if American business is to continue progressive and efficient, create more good jobs and further raise the general standard of living. Management must always exercise its functions with due regard of its social responsibility.

In order to clarify this problem, the committee has discussed many of the important functions of management involved in operating a business. The management members have classified some of them for the purpose of avoiding misunderstandings and minimizing industrial disputes. We have placed them in two classifications:

The first comprises those matters which are clearly the functions and responsibility of management and are not subject to collective bargaining;

The second comprises matters in respect to which it is the function and responsibility of management to make prompt initial decisions in order to insure the effective operation of the enterprise, but where the consequences of such actions or decisions are properly subject to review when they involve issues of alleged discrimination, affect wages, hours, working conditions, or agreed-upon management-labor practices. Such matters should be handled promptly under grievance procedures mutually agreed to as being appropriate for each specific item. Illustrative of items which we believe belong in the first classification and which are not subject to collective bargaining are:

The determination of products to be manufactured or services to be rendered to customers by the enterprise; and the location of the business, including the establishment of new units and the relocation or closing of old units. (When it becomes necessary to relocate a unit or close an old unit or transfer major operations between plants, management should give careful consideration to the impact of such moves on the employees involved, and discuss with them or their accredited representatives possible solutions for the resulting problems.)

The determination of the layout and equipment to be used in the business; the processes, techniques, methods and means of manufacture and distribution; the materials to be used (subject to proper health and safety measures where dangerous materials are utilized) and the size and character of inventories.

The determination of financial policies; general accounting procedures—particularly the internal accounting necessary to make reports to the owners of the business and to Government bodies requiring financial reports; prices of goods sold or services rendered to customers; and customer relations.

The determination of the management organization of each producing or distributing unit; and the election of employees for promotion to supervisory and other managerial positions.

The determination of job content (this refers to establishing the duties required in the performance of any given job and not to wages); the determination of the size of the work force; the allocation and assignment of work to workers; determination of policies affecting the selection of employees; establishment of quality standards and judgment of workmanship required; and the maintenance of discipline and control and use of the plant property, the scheduling of operations and the number of shifts.

The determination of safety, health and property protection measures, where legal responsibility of the employer is involved.

The second classification comprises matters in respect to which it is the function and responsibility of management to make prompt initial decisions in order to insure the effective operation of the enterprise, but where the consequences of such actions or decisions are properly subject to review by grievance procedures mutually agreed to as being appropriate for each specific item. Among items illustrative of this classification are:

Discharge of employees for cause; the application of seniority provisions of contracts; penalties imposed as the result of disciplinary action, and such other matters as may be mutually agreed upon.

Unionization of Foremen

The management members of the committee recognize that various crafts, such as the building and printing trades, among others, have established practices over a long period of years which permit inclusion of foremen in collective bargaining units in accordance with union constitutions, and the following recommendations are not designed to alter such long-standing practices:

However, in any report on management functions, the term "management" must be defined to include all levels of managerial and supervisory personnel and not confined to top ranking executive and administrative officials. Executive management cannot properly function and discharge its responsibilities without adequate assistance. It is therefore fundamental that there be no unionization of any part of management.

As a practical matter, supervisors organized for collective bargaining purposes would of necessity be faced with the problem of whether a particular decision or action would be serving the objectives of the union or carrying out the policies of management. The supervisors cannot properly function in a position of dual obligation.

To the foreman is delegated the ultimate responsibility of directing the workmen at the point where they are actually engaged in production. Since the foreman exercises managerial authority, he must be solely and exclusively responsible to higher management.

Furthermore, under collective bargaining agreements, the foreman usually makes the first management disposition of all grievances. With union foremen having supervision of union workmen, the foremen could not receive and act on grievances for the management, since it would mean the unions had taken over both sides of the bargaining table.

In requiring that employers bargain with foremen's unions whose members are the direct representatives and an integral part of management, either the National Labor Relations Board is misinterpreting the Wagner Act or the act itself is inconsistent and contradictory.

Labor's Position on Management

The labor group's propositions of limits of management is expressed in the following:

It would be extremely unwise to build a fence around the rights and responsibilities of management on the one hand and the unions on the other. The experience of many years shows that with the growth of mutual understanding the responsibilities of one of the parties today may well become the joint responsibility of both parties tomorrow.

We cannot have one sharply delimited area designated as management prerogatives and another equally sharply defined area of union prerogatives without either side constantly attempting to invade the forbidden territory, thus creating much unnecessary strife.

The labor members of the committee believe there is need for a more widespread realization and thorough understanding of the significance and importance of the management function in modern industry. In the main this will follow, rather than precede, the development of sound industrial relationships.

In our American political democracy the tradition is well established that Government operates best when it enjoys the confidence and consent of the governed. In the same American tradition both labor and management must come to a realization that both can function most effectively when each enjoys the confidence and has the consent of the other.

The labor members of the committee believe that as acceptance of the role of labor organizations in our economic society progresses so will come both clearer understanding and recognition of the importance of the management function together with a greater appreciation on the part of union members, investors-owners and the whole managerial and supervisory organizations of the large responsibilities that go along with it.

From Washington Ahead of the News

(Continued from first page)

policy and it has never been able to get the loyalty of subordinate employes. That would seem to be an utterly intolerable situation at any time, anywhere, in any sort of organization.

This disloyalty, however, is not confined to this department. It is rampant throughout the Government. Discipline broke down with the advent of the New Deal. Within a few months, subordinates felt free to go out and spill confidential matters to gossip columnists whenever a particular action taken was not the action the subordinate sought. The gossip columnists have thrived on the situation. In traveling about the country we have been frequently asked how such and such a columnist managed to get all of the low-down he reported. The answer is simple. To a large extent the gossip columnists have come to be vehicles for malcontents. The leaks, or the blabbing to columnists, have even extended to the Cabinet.

The policy makers, the chiefs of the departments, are kept continuously in hot water. When they make a decision they do so in dread of seeing a full display of the preliminary discussions that led to the decision in a gossip column within a few days. They are afraid to think out loud.

It is doubtful, as a result, whether at any time in our history the lower rung of Government employes have ever had so much influence over the destinies of people. Early in the New Deal, it will be recalled, sensational charges about what was going on in the Government were made by a Gary, Ind., school superintendent. He told of a dinner he had attended where the "plotting" was openly going on. He was hooted out of court when it developed that it was a gathering of subordinates. The facts are, of course, that all of the plotting which he heard came to pass, and we have long since gotten over the habit of laughing at the wild plans of subordinates simply because they are subordinates.

With the possible exception of Harold Ickes, it is doubtful if there is an administrator in town who can trust all of those under him. That nothing is ever done about it, even Mr. Roosevelt used to permit it, attests to the general breakdown that has come in the character of our executives and this has spread out over the country's morality. Employers generally are afraid to tell their employees what to do. Employers in the Government are just as fraid to exact any discipline from their workers. It may be what is meant when "pure democracy" is referred to. If this is true it is going to be found that this so-called "pure democracy" or more appropriate, mobcracy, simply will not work.

Throughout the most crucial years of the war, and events leading up to it, it was notorious that Cordell Hull and his undersecretary, Sumner Welles, were at odds. Yet Hull had all sorts of difficulty in getting Welles out of the Department. You would think he could have dismissed him forthwith.

Jimmy Byrnes now says that he had promised Hurley to get rid of those who were undermining him. Why didn't he do it? You would think he would have been more indignant than Hurley. Instead, the men complained of, are still at work in influential positions. They are busily plying the Washington newspapermen with smears on Hurley. They are planting stories which have been repeated by Leftists radio commentators, that Hurley was in the employ of oil companies, that his wife received expensive gifts from the Chinese officials. We doubt that money could influence the Hurleys, certainly not expensive gifts. He has been a multimillionaire for a long time. But the fact that even as this is written, State Department employes are passing out this sort of stuff to newspapermen, is in point. Hurley was either carrying out the policy of our Government or he was not. Byrnes said he was. He and Truman wanted him to go back. The American people, it would seem, are entitled to a housecleaning of the ideologists, the underminers in their Government. They can vote for or against on Truman's or Byrnes' policy. They are helpless against the termites. The late Roosevelt has left a mob on the hands of the American people, and his successor in office and his high appointees obviously do not know how to deal with it.

Undoubtedly, these appointees are influenced by Mr. Truman's own wishy washiness. He has been told by that great analyst and citizen, Bob Hannegan, who probably picked it up from Toots Sharr, that he can't win in 1948, without the labor vote. So he keeps making little silly gestures which please neither labor nor business. They are just irritating, as, for example, is his proposition that Industry open its books to fact-finders. Congress won't pass any such legislation, because the point of it is profit-sharing. Truman knows Congress won't. But he thinks he has made his gesture. Truman is not the type of man that can pull in any bloc vote as did Roosevelt. He hasn't the personality. He ought to realize this and just try being a good President and depend upon the Republicans to be silly, a good bet.

Treasury Ctf. Offering For Maturing Issues

Secretary of the Treasury Vinson announced on Nov. 18 the offering, through the Federal Reserve Banks, of an 11-month Treasury Certificate of Indebtedness of Series J-1946, in exchange for three maturing series of Treas. securities, ⅞% Treas. Certificates of Indebtedness of Series H-1945, maturing Dec. 1, 1945, and ¾% Treasury Notes of Series B-1945 and 2½% Treasury Bonds of 1945, both maturing Dec. 15, 1945. Exchanges will be made par for par in the case of the maturing certificates, at par with an adjustment of interest as of Dec. 1, 1945, in the case of the maturing notes, and at par with an adjustment of interest as of Dec. 15, 1945, in the case of the maturing bonds. Cash subscriptions will not be received. There are now outstanding $4,395,400,000 of the Series H-1945 certificates, $530,837,200 of the Series B-1945 notes and $540,843,550 of the Treasury Bonds of 1945. The announcement also said:

The certificates now offered will be dated Dec. 1, 1945, and will bear interest from that date at the rate of ⅞ of 1% per annum, payable on a semiannual basis on May 1 and Nov. 1, 1946. They will mature Nov. 1, 1946. They will be issued in bearer form only, in denominations of $1,000, $5,000, $10,000, $100,000 and $1,000,000.

Although the maturing notes and bonds are outstanding in denominations as low as $100 in the case of the notes and $50 in the case of the bonds, exchanges may be made only in amounts or multiples of $1,000 in the aggregate, since this is the lowest denomination in which the new certificates will be available.

The subscription books were closed at the close of business on Nov. 21, except for the receipt of subscriptions from holders of $100,000 or less of the maturing securities eligible for exchange. The subscription books closed for the receipt of subscriptions of the latter class at the close of business Saturday, Nov. 24.

Export-Import Bank Loans to Chile Group

The signing by the Export-Import Bank at Washington of two loan agreements for a total of $33,000,000 with the Chilean Government's Fomento Corporation (Production Development Corporation) was made known at Washington on Nov. 27. According to the Associated Press accounts the first is for $28,000,000 to finance purchase of United States equipment, materials and services for an iron and steel plant near Concepcion, Chile, by a corporation to be known as the Compania de Acero del Pacifico. The second line of credit, $5,000,000, is an extension of an $8,000,000 loan in Dec., 1944.

The Associated Press also stated the credit is guaranteed by the Republic of Chile. The $28,000,000 is to be available until Dec. 31, 1948. Advances are repayable in forty semi-annual installments, the first of which will be due on June 15, 1949. They will bear interest at the rate of 4 per cent on the unpaid principal balance.

"The Fomento Corporation has undertaken to raise from Chilean sources the funds needed for all expenditures in Chile in connection with the construction and operation of the plant and for any expenditure in the United States in excess of the $28,000,000 provided by the Export-Import Bank for the new metals plant. It is estimated that the Chilean investment in the project will be about $25,000,000. The plant will produce pig iron, heavy and light structurals, steel rail, galvanized sheets, wire, pipe and other iron and steel products.

"Of the second line of credit, $2,000,000 will be used to finance the acquisition of such facilities as may be necessary to furnish electric power to the new iron and steel plant.

The $5,000,000 credit is payable within five years in approximately equal semi-annual installments, the first to become due six months from the date of the advance, at 4%.

First Day Sale in N. Y. of Alfred E. Smith Stamp Broke All Records

Appropriate ceremonies were held in the Main Lobby of the General Post Office, 33rd Street and 8th Avenue, New York, at 11:30 a.m., Nov. 26, in connection with the First Day Sale of the 3c commemorative postage stamp honoring Alfred E. Smith, former Governor of New York State. On Nov. 27 Postmaster Albert Goldman announced that the first day sale of the stamp broke all records. He stated:

"5,180,959 of the 3-cent Alfred E. Smith Commemoration Stamps were sold at the main office and stations, covering the Boroughs of Manhattan and the Bronx.

"The highest previous recorded First Day Sale was also held at New York, N. Y., when the commemorative stamp honoring the United States Coast Guard was placed on sale Nov. 10, 1945, on which date, 1,991,858 stamps were sold. The highest sale previous to that was on April 30, 1939, when the First Day Sale of the World's Fair Stamp took place and 1,964,743 stamps were sold. In addition to the record breaking sale of the Alfred E. Smith Stamp, there were processed 424,950 First Day Covers."

At first day's ceremonies the New York Post Office band rendered musical selections and Miss Nadine Connor, Metropolitan Opera House star, sang the National Anthem. Postmaster Goldman presided. Postmaster General Robert E. Hannegan, Archbishop Spellman of New York, and Robert Moses, Commissioner of Parks, were the principal speakers.

The State of Trade

(Continued from page 2794)

price-wage controversy by the OPA has now become a definite part of the whole problem. Steel industry leaders have gone on record to the effect that there would be no further wage negotiations until APA granted what the industry has claimed to be necessary price adjustments covering past wage and material costs. The statement by OPA that steel earnings would be reviewed after fourth-quarter reports have been completed, only confuses the issue more, since, such reports will probably not be in final shape until mid-February 1946.

The offer of OPA to do something for the small nonintegrated mills carries no weight in the steel industry because it runs counter to steel selling practices. If the smaller mills were to have higher prices than the larger mills, steel consumers would bypass them and place their orders with the larger units.

Practically without exception steel users have been receiving supplies for their immediate needs and are without inventory to allow them to continue manufacturing in case of a strike. Most manufacturers, it is expected, would have to shut down two or three days from the beginning of a steel walkout, states "The Iron Age." Few orders have been received from the automobile industry to stop delivery of steel previously ordered. Automotive steel is presently being shipped to warehouses near producing centers to be on hand when the automotive wage issue is settled.

As a result of OPA's failure to adjust steel prices it will be necessary for many steel companies to step up production on items for which the return is greater and reduce output on those upon which the company claims money is being lost. Items such as structural steels, reinforcing bars, rails and railroad track accessories may find themselves in the category where production has been forcibly curtailed.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 82.8% of capacity for the week beginning Dec. 3, compared with 83.5% one week ago, 77.0% one month ago and 96.0% one year ago. This represents a decrease of 0.7 point or 0.8% from that of the previous week.

This week's operating rate is equivalent to 1,516,600 tons of steel ingots and castings, and compares with 1,529,400 tons one week ago, 1,410,400 tons one month ago and 1,727,000 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Nov. 24, 1945, total 716,494 cars, the Association of American Railroads announced. This was a decrease of 83,867 cars, or 10.5% below the preceding week this year, due to the Thanksgivnig holiday, but 51,844 cars, or 6.7%, below the corresponding week of 1944. Compared with the similar period of 1943, a decrease of 103,338 cars, or 12.6% is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity decreased to approximately 3,841,350,000 kwh. in the week ended Nov. 24, 1945, from 3,984,608,000 kwh. in the preceding week. Output for the week ended Nov. 24, 1945, however, was 12.1% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 173,800,000 kwh. in the week ended Nov. 25, 1945, comparing with 175,600,000 kwh. for the corresponding week of 1944, or a decrease of 1.0%.

Local distribution of electricity amounted to 173,200,000 kwh. compared with 170,400,000 kwh. for the corresponding week of last year, an increase of 1.6%.

Tight Paper Situation Seen Until Spring—Little important easing of the current tight paper supply situation is in prospect, before next spring, says the "United Business Service" in a special survey of the industry made public on Monday of the current week.

There are some encouraging developments in the paper picture. Output in recent weeks has been running at the highest levels since 1941, and production and imports of wood pulp have been maintained above 1944 rates. Pulp inventories are about 10% above year-ago levels.

However, serious bottlenecks still hamper restoration of normal balances between supply and demand. As in other industries, prices and labor supply constitute the most important retarding influences both at paper mills and in pulp and import divisions. Receipts of foreign pulp are not matching earlier expectations because ceiling prices are below buying prices in outside markets.

Because of these difficulties, current output is making small headway in cutting down the backlog of unfilled orders. What is more, expansion that has occurred has failed to meet the rise in demand for various grades. The cali for fine, book, and magazine stock has increased sharply, and some large printing concerns have bought mills for their exclusive use. Output of some grades of paper shows little recovery as yet from wartime lows, and a considerable amount of substitution will continue to be necessary in the weeks ahead.

Paper and Paperboard Production—Paper production in the United States for the week ending Nov. 24, was 91.4% of mill capacity, against 96.4% in the preceding week and 87.2% in the like 1944 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 91%, compared with 95% in the preceding week and 91% in the like 1944 week.

Business Failures Increase—In the week ending Nov. 29, commercial and industrial failures doubled the number in the previous week, reports Dun & Bradstreet, Inc. Fifteen concerns failed during the week as compared with seven last week and 26 in the corresponding week of 1944.

Large failures with liabilities of $5,000 or more were three times as numerous as small failures. A sharp rise occurred in the large failures, with 11 concerns failing this week against only three a week ago. However, there were 26 failures involving liabilities of $5,000 or more last year. Four small concerns failed with liabilities of less than $5,000, the same number as in the previous week.

The week's failures were about evenly divided between manufacturing, wholesaling, and retailing. Only two failures occurred in commercial service and none at all in construction. Wholesale trade showed the largest increase from a week ago, rising from only one failure to four this week. In fact, wholesaling was the only trade or industry group in which concerns failing this week outnumbered those in the same week of 1944.

Canadian failures numbered three, against two last week and one in the corresponding week year ago.

Wholesale Commodity Price Index—The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., remained quite steady last week, the index closing at 181.88 on Nov. 27. The

compared with 181.62 in Nov. 20, and with 172.54 on the corresponding date a year ago.

Grain markets on the whole maintained a firm tone although trading activity declined, partly due to holiday influences and partly to lessened speculative demand. Cash wheat held strongly at ceilings, reflecting shortage of box cars to move the grain from country points. Increased new crop corn receipts failed to satisfy the demand for that cereal and prices continued at maximum ceiling levels. Rye and oats developed irregularity after reaching new seasonal highs early in the period. Reflecting inability to secure sufficient cash wheat, foreign demands for flour have been stepped up considerably and mills have enough orders on hand to operate at capacity for months to come. Domestic demand for flour remained very light.

Receipts of hogs at principal Western markets last week continued to expand with total marketings comparing favorably with those of last year. Active demand held prices steady at ceilings. Output of lard and pork fat showed some increase but stocks remained limited.

Cotton price movements were narrow and mixed as volume of trading dropped below that of recent weeks. This in part reflected holiday influences and to some extent, cautiousness among traders resulting from uncertainty concerning the parity price legislation now pending in Congress. Spot markets were seasonally active with mili buying moderate. Farmers' offering remained in good volume and little cotton was reported entering the Government Loan and Purchase Programs due to current high market values. Cotton consumed during October, as reported by the Census Bureau, was considerably larger than the trade had anticipated—759,806 bales.

Hide and skin markets were quiet last week as trading on the new permits did not become effective until Nov. 26. Cattle slaughter during October set an all-time high monthly record of 1,583,697 head. The shortage in all types of leather remained acute with no immediate improvement in sight.

Business in domestic wools in the Boston market remained extremely quiet as dealers awaited announcement of new price schedules for domestic stockpile wools by the CCC. Foreign wools of fine and medium grades were in good spot demand. Buying in Australia, New Zealand, and Argentine was reported fairly active. In wool piece goods lines, deliveries of men's wear worsted fabrics were behind schedule but some improvement was said to have taken place due to a gradual upturn in labor forces in wool mill areas.

Wholesale Food Price Index Reaches New 25-Year Peak—Continuing its gradual uptrend af the past few months, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose one cent to stand at $4.16 on Nov. 27. This represented a new high level since Oct. 14, 1920 when it stood at $4.17, and marked a gain of 2.2% over the 1944 comparative of $4.07. Changes for the week brought advances for oats, potatoes, sheep and lambs. Rye showed the only decline. The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale and Retail Trade—Cold snaps and the approaching Christmas holiday helped to maintain the volume of retail trade this week moderately above the preceding week with volume exceeding the very high level of the corresponding week of 1944, states Dun & Bradstreet, Inc., in its weekly review of trade. In strike areas incomplete reports indicated that volume was not perceptibly unfavorably affected. The tendency toward buying of higher priced items continued. Food offerings were reported to be more plentiful; holiday food items moved in good volume.

Men's clothes continued in pressing demand, though the supply of some furnishings remained very limited. Cold weather fostered an increased call for topcoats, fur hats, muffs, and bags. Demand for sportswear for children and adults was strong. The Christmas rush was noteworthy for jewelry, gloves, handbags, neckwear, bedroom slippers, hosiery, and handkerchiefs.

The promotion of piece goods depended upon stocks on hand. Woolen goods were particularly scarce. Customers eager to make hand-sewn Christmas gifts, bought fabrics in quantity whenever they were offered.

Toys were more available and in better variety this year than in the past two years, though quality and price have risen. Metal items such as roller skates and electric trains were scarce. Housewares goods, especially dishes and cooking utensils, sold in increasing volume. Demand for furniture continued heavy. However, stocks of dining room and bedroom sets were low.

Despite a slight drop in foodstuffs last week below the previous week, volume was estimated at 10% above the comparable 1944 week. The end of meat rationing resulted in quick sales of choice cuts. Some food supplies were reported scarce, including butter, fresh eggs, milk, soap, and pork products.

Retail volume for the country was estimated to be from 6 to 10% above a year ago. Regional percentage increases were: New England 3 to 7, East 7 to 12, Middle West 1 to 4, Northwest 6 to 11, South 12 to 15, and Southwest and Pacific Coast 5 to 9.

Wholesale volume last week was maintained at the level of the previous week; it was estimated at from 6 to 10% above a year ago. Total sales continued close to record highs in most fields with stocks reported spotty. A very large volume of retailers' new orders continued to reach wholesalers and manufacturers of both soft and hard goods. Shipments in many lines are being received in even smaller quantities than heretofore.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 24, 1945, increased by 9% above the same period of last year. This compared with a like increase of 9% in the preceding week. For the four weeks ended Nov. 24, 1945, sales increased by 10% and for the year to date showed an increase of 11%.

In keeping with the pace for most of the country and notwithstanding a spell of bad weather, retail trade here in New York the past week moved sharply upward with the close approach of Christmas. In the wholesale field no change of consequence was noted in the existing poor supply situation of textiles, wearing apparel and accessories. A slowdown took place for the week in wholesale food volume following the holiday demand, but sales nevertheless were above the figure for a year ago. As regards retail food volume, further increases were shown.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Nov. 24, 1945, increased 15% above the same period of last year. This compared with an increase of 13% in the preceding week. For the four weeks ended Nov. 24, 1945, sales rose by 13% and for the year to date increased by 13%.

Military and Non-Military Expenditures of Govt. Abroad in Past Five Years

Secretary of Commerce Henry A. Wallace released on Nov. 26 a summary of the latest available figures on the foreign finance and supply transactions of the United States Government from July 1, 1940 through June 30 1945. From the summary we quote:

Cash Transactions Abroad—U. S. Government agencies spent $13,045,000,000 abroad from July 1, 1940 through June 30, 1945 on the basis of reasonably complete reports; $3,765,000,000 of this total was spent in the year ending June 30, 1945. Dollar receipts over the five year period were $4,060,000,000. Net dollar disbursements were thus $8,985,000,000.

Military Agencies—The $6,544,000,000 of dollar disbursements reported by the War and Navy Departments was mainly for overseas pay to troops, supplies and materials, and installations. Another $1,610 million was spent in "special" currencies obtained at no dollar cost to the U. S. It is estimated that around $5,000,000,000 has been put in the pockets of U. S. personnel overseas, not including the large amount of pay and allowances allotted directly to families, War Bond accounts, etc., at home which do not represent payments abroad. Remittances home over the past year, however, have equalled about two-thirds of all current pay to troops overseas, and represent the major reported receipt abroad.

The "special" currency (sometimes termed "invasion" and "occupation" currency) disbursements by the War and Navy Departments are in addition to regular dollar disbursements. They reflect arrangements under which the United States armed forces obtained foreign currencies for use in certain liberated countries and in Germany, Japan, and Italy without concurrent payment of U. S. dollars. Except in occupied areas such as Germany and Japan, the U. S. has agreed to pay dollars to the foreign governments for the **net** amount of such currency used to pay U. S. troops abroad (roughly the amount paid to troops overseas, less the amounts remitted home); the foreign governments agreed to provide free to the U. S. the currency used in procuring needed army supplies abroad. [1] The U. S. Government has already paid $159,000,000 to European countries for special currency used as net troop pay.

Nonmilitary Agencies—The $6,501,000,000 spent by nonmilitary agencies represented primarily procurement of food and materials abroad and loan dsibursements. Over two-thirds of the total was obtained in the western hemisphere. The major commodities procured were scarce metals, sugar, rubber, and fibers. A large portion of these commodities procured abroad have been resold to private buyers in the U. S. thereby recouping the Government's outlays. Uncompleted U. S. contracts to purchase further supplies, totaled $786,000,000 on June 30, 1945.

From Secretary Wallace's summary we also quote:

1. Over the five years, the Government spent abroad $13,045,000,000 of which $4-$5 billion was to purchase vitally needed food and materials and a similar amount to pay U. S. troops overseas. Receipts abroad totalled $4,060,000,000, comprising mainly remittances home by U. S. troops and payments for goods sold to other countries.

2. Over two-thirds of the $4,400,000,000 of food and materials procured abroad since July 1, 1940 by nonmilitary Government agencies came from Canada and the American Republics (especially Cuba and Chile). Metals and minerals comprised nearly half of all reported procurement abroad, and sugar, rubber and fibers another quarter of the total. On June 30 Government agencies reported $786,000,000 of commitments to buy additional commodities abroad.

[1] In most cases, the supplies so obtained by the U. S. are considered reverse lend-lease.

Resulting U. S. Assets Abroad

3. On June 30, 1945, Government agencies had loans and advances outstanding to foreign governments and concerns totalling $639,000,000. Another $433,000,000 had been extended to foreign nations (primarily China) as special financial assistance, on which settlement terms remained to be established. Outstanding commitments for further credits totalled $494,000,000 on June 30.

4. Over 3,000 installations acquired at a cost of $2,413,000,000, were reported held abroad by Government agencies on June 30, 1945. Military installations (mainly airbases and port facilities) accounted for over 95% of the total expended, with largest costs reported in the Pacific, in Canada, and on the Atlantic-Caribbean defense bases. The value of installations received under reverse lend-lease (especially in the British Commonwealth and France) is not included in the reported costs.

5. On June 30, 1945, inventories of supplies and materials held abroad by nonmilitary agencies totalled $167,000,000. Scarce metals, minerals and fibers comprised the bulk of these stockpiles, which are being brought to the U. S. as shipping becomes available, or sold abroad.

U. S. Supplies Shipped Abroad

6. Lend-lease aid furnished totalled $42,021,000,000 on June 30, 1945. Over $29,000,000,000 of the total went to British Commonwealth, and $10,000,000,000 to the U. S. S. R. Data on lend-lease through mid-1945 have previously been released by FEA.

7. In addition, civilian relief supplies shipped for use abroad (mainly food and clothing) exceeded $800,000,000 on June 30, 1945, when shipments were rising rapidly. Over three-fourths of these supplies were shipped by the War Department to prevent civilian disease and unrest in liberated and occupied areas and were billed to recipient governments. Most of the remainder was furnished through UNNRA and the American Red Cross. European countries received most of the total. These figures do not include supplies furnished under Lend-Lease.

Reverse Lend-Lease Received

8. Reverse Lend-Lease aid received through June 30, 1945, is estimated at $6,250,000,000, mainly from British Commonwealth countries. Detailed reports are available only on the $5,600,000,000 reported through March 31, 1945.

These figures mirror the wide diversity of the Government's war period foreign transactions. Effective prosecution of the war depended not only on strictly military operations but also on a great variety of supply and financial transactions. The United States contributed to the combined allied military strength by lend-leasing great quantities of guns, planes and other material as well as a variety of needed services. In turn, the United States was helped by reverse lend-lease supplies and services. Essential food and materials were procured abroad. Credits were extended abroad to facilitate procurement and to assist our allies. Civilian supplies were distributed, primarily by our armed forces, in liberated or occupied areas to avoid disease and unrest which would have impeded military operations. Furthermore, this Government acquired abroad numerous installations and inventories of supplies.

In view of the widely differing basic character of the transactions and asset-holdings reported, it was emphasized that addition of the figures to obtain one over-all summary figure for each country, or for all countries combined, would involve major inconsistencies in logic and serious double counting.

Electric Output for Week Ended Dec. 1, 1945 10.6% Below That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Dec. 1, 1945, was approximately 4,042,915,000 kwh., which compares with 4,524,257,000 kwh. in the corresponding week a year ago, and 3,841,350,000 kwh. in the week ended Nov. 24, 1945. The output for the week ended Dec. 1, 1945 was 10.6% below that of the same week in 1944.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

Major Geographical Divisions—	Week Ended Dec. 1	Nov. 24	Nov. 17	Nov. 10
New England	4.0	7.1	6.4	4.9
Middle Atlantic	3.7	5.7	4.4	4.8
Central Industrial	12.8	12.9	12.3	12.3
West Central	1.4	4.4	1.8	1.6
Southern States	15.7	16.5	14.8	14.2
Rocky Mountain	0.8	5.8	0.5	0.8
Pacific Coast	13.0	15.0	12.3	11.2
Total United States	10.6	12.1	10.5	10.2

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
Aug. 4	4,432,304	4,399,433	+ 0.7	4,240,638	1,415,122	1,729,667
Aug. 11	4,395,337	4,415,368	— 0.5	4,287,827	1,431,910	1,733,110
Aug. 18	3,939,195	4,451,076	—11.5	4,264,824	1,436,440	1,750,056
Aug. 25	4,116,049	4,418,298	— 6.8	4,322,195	1,464,700	1,761,594
Sept. 1	4,137,313	4,414,735	— 6.3	4,350,511	1,423,977	1,674,588
Sept. 8	3,909,408	4,227,900	— 7.5	4,229,262	1,476,442	1,806,259
Sept. 15	4,106,187	4,394,839	— 6.6	4,358,512	1,490,863	1,792,131
Sept. 22	4,018,913	4,377,339	— 8.2	4,359,610	1,499,459	1,777,854
Sept. 29	4,038,542	4,365,907	— 7.5	4,359,003	1,505,216	1,819,276
Oct. 6	4,028,286	4,375,079	— 7.9	4,341,754	1,507,503	1,806,403
Oct. 13	3,934,394	4,354,575	— 9.6	4,382,268	1,528,145	1,798,633
Oct. 20	3,914,738	4,345,352	— 9.9	4,415,405	1,533,028	1,824,160
Oct. 27	3,937,420	4,353,293	— 9.7	4,452,592	1,525,410	1,815,749
Nov. 3	3,899,293	4,354,939	—10.5	4,413,863	1,520,730	1,798,164
Nov. 10	3,948,024	4,396,595	—10.2	4,482,665	1,531,584	1,793,584
Nov. 17	3,984,608	4,450,047	—10.5	4,513,299	1,475,268	1,818,169
Nov. 24	3,841,350	4,368,519	—12.1	4,403,342	1,510,337	1,718,002
Dec. 1	4,042,915	4,524,257	—10.6	4,560,158	1,518,922	1,806,225
Dec. 8		4,538,012		4,566,905	1,563,384	1,840,863
Dec. 15		4,363,079		4,612,994	1,554,473	1,860,021
Dec. 22		4,616,975		4,295,010	1,414,710	1,637,683
Dec. 29		4,225,814		4,337,287	1,619,265	1,542,000

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES

(Based on Average Yields)

1945— Daily Averages	U.S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus
Dec. 4	123.58	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
3	123.92	116.80	120.84	119.41	117.00	110.88	113.50	117.00	120.22
1	123.83	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
Nov. 30	123.81	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
29	123.79	116.80	120.84	119.41	117.00	110.70	113.31	117.00	120.22
28	123.76	116.80	120.84	119.41	116.80	110.70	113.31	117.00	120.22
27	123.79	117.00	120.84	119.61	117.00	110.70	113.31	117.00	120.43
26	123.78	116.80	120.63	119.61	117.00	110.70	113.31	117.00	120.43
24	123.75	116.80	120.84	119.41	117.00	110.70	113.50	116.80	120.22
23	123.70	116.80	120.84	119.41	117.00	110.70	113.50	116.80	120.22
22	Stock Exchange Closed								
21	123.57	116.80	120.84	119.61	116.80	110.52	113.50	117.00	120.22
20	123.47	116.80	120.84	119.61	117.00	110.52	113.50	117.00	120.22
19	123.45	116.80	120.84	119.61	116.80	110.52	113.50	117.00	120.22
17	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
15	123.41	116.80	120.84	119.41	116.80	110.34	113.31	116.80	120.22
14	123.41	116.61	120.63	119.41	116.61	110.34	113.31	116.80	120.02
13	123.41	116.61	120.63	119.41	116.80	110.15	113.31	116.61	120.02
12	Stock Exchange Closed								
10	123.28	116.61	120.43	119.41	116.61	110.15	113.12	116.61	120.02
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02
8	123.28	116.61	120.63	119.41	116.61	109.97	113.12	116.61	120.02
7	123.27	116.61	120.63	119.41	116.61	109.97	113.12	116.61	120.02
6	Stock Exchange Closed								
5	123.17	116.61	120.63	119.41	116.61	110.15	113.12	116.61	120.02
3	123.11	116.61	120.63	119.41	116.41	110.15	113.12	116.61	120.02
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02
1	123.03	116.41	120.63	119.20	116.41	109.97	113.12	116.61	119.82
Oct. 30	122.84	116.41	120.84	119.20	116.22	109.79	112.93	116.41	120.02
23	123.03	116.22	120.63	119.20	116.22	109.42	112.75	116.41	119.82
16	122.75	116.41	120.63	119.20	116.41	109.60	112.56	116.41	120.02
9	122.81	116.22	120.84	119.00	116.22	109.24	112.37	116.22	120.02
2	122.31	116.02	120.84	118.80	115.82	108.83	112.19	116.02	119.82
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
21	121.97	115.82	120.43	118.80	116.02	108.88	112.19	116.02	119.61
14	121.98	116.02	120.84	118.80	116.02	108.70	112.19	116.22	119.61
7	122.09	116.02	120.63	119.20	116.22	108.52	112.37	116.02	119.61
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
24	121.91	115.82	120.63	119.00	116.02	108.16	112.56	115.63	119.41
17	121.91	115.82	120.84	119.00	116.22	108.16	112.56	115.82	119.41
10	122.14	116.02	121.04	119.20	116.02	108.34	112.93	115.82	119.41
3	122.36	115.82	120.84	119.20	116.02	108.16	112.93	115.82	119.00
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	123.92	117.00	121.04	119.61	117.00	110.88	113.50	117.00	120.43
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Dec. 4, 1944	120.00	113.31	118.80	117.80	113.31	104.14	108.16	113.89	118.00
2 Years Ago									
Dec. 4, 1943	119.63	110.34	118.20	115.43	110.70	98.57	102.96	113.12	115.63

MOODY'S BOND YIELD AVERAGES

(Based on Individual Closing Prices)

1945— Daily Averages	U.S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Dec. 4	1.47	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
3	1.48	2.81	2.61	2.68	2.80	3.12	2.98	2.80	2.64
1	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
Nov. 30	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
29	1.49	2.81	2.61	2.68	2.80	3.13	2.99	2.80	2.64
28	1.49	2.81	2.61	2.68	2.81	3.13	2.99	2.80	2.64
27	1.49	2.80	2.61	2.67	2.80	3.13	2.99	2.80	2.63
26	1.49	2.81	2.62	2.67	2.80	3.13	2.99	2.80	2.63
24	1.49	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64
23	1.50	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64
22	Stock Exchange Closed								
21	1.51	2.81	2.61	2.67	2.81	3.14	2.98	2.80	2.64
20	1.51	2.81	2.61	2.67	2.80	3.14	2.98	2.80	2.64
19	1.51	2.81	2.61	2.67	2.81	3.14	2.98	2.80	2.64
17	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
15	1.52	2.81	2.61	2.68	2.81	3.15	2.99	2.81	2.64
14	1.52	2.82	2.62	2.68	2.82	3.15	2.99	2.81	2.65
13	1.52	2.82	2.62	2.68	2.81	3.16	2.99	2.82	2.65
12	Stock Exchange Closed								
10	1.53	2.82	2.63	2.68	2.82	3.16	3.00	2.82	2.65
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65
8	1.53	2.82	2.62	2.68	2.82	3.17	3.00	2.82	2.65
7	1.53	2.82	2.62	2.68	2.82	3.17	3.00	2.82	2.65
6	Stock Exchange Closed								
5	1.54	2.82	2.62	2.68	2.82	3.16	3.00	2.82	2.65
3	1.54	2.82	2.62	2.68	2.83	3.16	3.00	2.82	2.65
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65
1	1.55	2.83	2.62	2.69	2.83	3.17	3.00	2.82	2.66
Oct. 30	1.56	2.83	2.61	2.69	2.84	3.18	3.01	2.83	2.65
23	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
16	1.58	2.83	2.62	2.69	2.83	3.19	3.03	2.83	2.65
9	1.57	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
2	1.61	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
21	1.65	2.86	2.63	2.71	2.85	3.23	3.05	2.85	2.67
14	1.66	2.85	2.61	2.71	2.85	3.24	3.05	2.84	2.67
7	1.65	2.85	2.62	2.69	2.84	3.25	3.04	2.85	2.67
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
24	1.67	2.86	2.62	2.70	2.85	3.27	3.03	2.87	2.68
17	1.67	2.86	2.61	2.70	2.84	3.27	3.03	2.86	2.68
10	1.65	2.85	2.60	2.69	2.85	3.26	3.01	2.86	2.68
3	1.64	2.86	2.61	2.69	2.85	3.27	3.01	2.86	2.70
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.47	2.80	2.60	2.67	2.80	3.12	2.98	2.80	2.63
1 Year Ago									
Dec. 4, 1944	1.84	2.99	2.71	2.76	2.99	3.50	3.27	2.96	2.75
2 Years Ago									
Dec. 4, 1943	1.86	3.15	2.74	2.88	3.13	3.84	3.57	3.00	2.87

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE— The list used in compiling the averages was given in the Nov. 22, 1945 issue of the "Chronicle" on page 2508.

National Fertilizer Association Commodity Price Index Drops Sharply

The weekly wholesale commodity price index compiled by the National Fertilizer Association and made public on Dec. 3 dropped sharply for the week ended Dec. 1, 1945, to 141.2 from the hignest point of the index, 142.0, which it had held for three consecutive weeks. This is the first downturn in the index for 11 weeks; in seven of the 11 weeks the index advanced steadily and the other four weeks the index remained unchanged. A month ago the index stood at 141.7, and a year ago at 139.4, all based on the 1935-1939 average as 100. The Association's report added:

The sharp decline during the week reflected the declines registered in the farm products, foods, and fuels groups; the advances in the textiles and the chemicals and drugs groups did little to offset the declines. The farm products group showed the greatest decline during the week with the new high point of the cotton index being much more than offset by the sharp downturn of livestock quotations. Hog marketings expanded sharply during the week and for the first time since January the supply exceeded the demand and, together with labor shortages, forced price recessions considerably below ceiling prices. The prices for good and choice cattle were also lower. There was an increase in the prices for sheep. The foods index declined fractionally with lower quotations for potatoes and dressed fowls. The fuels index was lower because of a decline in the price for bunker oil. The textiles index, advancing fractionally, reached a new all-time peak. The chemicals and drugs index advanced substantially reflecting higher prices for denatured and ethyl alcohol and for glycerine. All of the remaining groups of the index were unchanged.

During the week 8 price series in the index declined and 5 advanced; in the preceeding week 1 declined and 4 advanced; in the second preceding week 5 declined and 4 advanced.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Dec. 1, 1945	Preceding Week Nov. 24, 1945	Month Ago Nov. 3, 1945	Year Ago Dec. 2, 1944
25.3	Food	144.7	144.9	144.6	144.4
	Fats and Oils	145.6	146.6	146.6	145.1
	Cottonseed Oil	163.1	163.1	163.1	163.1
23.0	Farm Products	170.3	173.3	172.0	163.0
	Cotton	229.1	228.3	224.2	204.1
	Grains	167.3	167.3	165.8	158.6
	Livestock	162.0	166.9	166.1	157.9
17.3	Fuels	129.5	129.9	129.9	130.4
10.8	Miscellaneous Commodities	132.8	132.8	132.8	133.2
8.2	Textiles	160.9	160.8	160.1	155.2
7.1	Metals	110.2	110.2	109.8	105.6
6.1	Building Materials	154.7	154.7	154.7	154.1
1.3	Chemicals and Drugs	127.5	126.2	126.2	126.1
.3	Fertilizer Materials	118.2	118.2	118.3	118.3
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm Machinery	105.0	105.0	105.0	104.7
100.0	All groups combined	141.2	142.0	141.7	139.4

*Indexes on 1926-1928 base were: Dec. 1, 1945, 110.0; Nov. 24, 1945, 110.6; and Dec. 2, 1944, 108.6.

Non-Ferrous Metals — Demand for Major Metals Continues at High Level—Quicksilver Firmer

"E. & M. J. Metal and Mineral Markets, in its issue of Nov. 29, states: "Producers of major non-ferrous metals so far have received few requests for postponement of deliveries as a result of labor difficulties at consuming plants. Call for copper and lead has not slackened, and continued recourse to imports is necessary to satisfy the demands. Early action on the stockpile bill is likely. The measure has been approved by the Military Affairs Committee in virtually the same form as submitted a week ago by the subcommittee. So far as prices were concerned, there was a little unsettlement in foreign copper. Quicksilver on spot was firmer and several sellers were asking $108 per flask minimum." The publication further went on to say in part:

Copper

The industry is awaiting word in reference to the Government's program for purchasing foreign copper. Some irregularity exists in foreign copper quotations. Where exchange enters into the deal, scattered business has been transacted at a premium, but on competitive business metal has been offered at slight concessions. The domestic market remains firm. Statistics released during the last week by fabricators placed October consumption of copper at 108,048 tons.

Output of brass-mill products in the third quarter of 1945 was 534,720,000 lb., which compares with 1,259,218,000 lb. in the second quarter this year and 1,155,168,000 lb. in the third quarter last year, according to the Copper Division of CPA. Production in 1944 totaled 5,013,514,000 lb., of which 395,161,000 lb. was unalloyed products and 4,618,353,000 lb. alloyed products, as brass, bronze, etc.

Mine production of copper in the United States in September, in terms of recoverable metal, was 57,526 tons, which compares with 60,710 tons in August, the Bureau of Mines reports. Production in the first nine months of 1945 was estimated 590,813 tons, against 756,597 tons in the Jan.-Sept. period of 1944. The reduction in output, amounting to 22%, resulted from severe manpower shortages.

Lead

Slightly less than 24,000 tons of foreign lead were allocated for December shipment. Some consumers would like to obtain more metal, but the authorities in Washington are not disposed to release additional tonnages. Demand for lead from domestic producers was active, but sales last week were limited to 2,549 tons. There were no new developments in connection with demands for higher wages by Mexican miners.

Domestic lead refineries produced 47,462 tons of lead in October, against 35,923 tons in September, and 42,997 tons in October last year, according to the American Bureau of Metal Statistics. After the summer slump in output, a sharp gain for October was expected. Shipments by domestic refineries totaled 44,347 tons in October, against 39,701 tons in the preceding month.

Zinc

Consumption of zinc during November has centered chiefly in galvanizing and die casting. Brass mills are still operating on a reduced scale. However, most producers believe that consumption of zinc in the current month has been larger than that recorded for October. Stocks will increase again, it is thought, but not at the same rate as in recent months.

The Bureau of Mines estimated, consumption of slab zinc in September at 53,533 tons against 59,054 tons in August.

Cadmium

A specific inventory limitation of 45 days was imposed on cadmium, owing to the tight supply situation in this metal, CPA announced last week. Priorities Regulation 32 was revised to meet the supply-demand conditions, which are not expected to change for some time to come.

Tungsten

Prices are being fully maintained on tungsten ore containing no objectionable impurities. Business has been transacted in domestic ore on the basis of $24 per short ton unit of WO_3. South American ore containing some molybdenum has been available at $22.75, and possibly a little less, but as extra treatment charges are entailed, the cost to the buyer would approximate the price paid on domestc ore of "good known analysis."

Tin

Exports of tin concentrates from Bolivia in October contained 2,786 metric tons of tin, which compares with 4,625 tons in September. Shipping schedules frequently cause wide swings in the movement of minerals, and therefore no special significance is being attached to the drop in exports that occurred in October. Exports for the Jan.-Oct. period contained 35,475 tons of tin, against 32,494 tons in the same period last year.

The tin situation here remains unchanged. Quotations continued on the basis of 52c per pound, with forward prices nominally as follows:

	Dec.	Jan.	Feb.
Nov. 22		— Holiday —	
Nov. 23	52.000	52.000	52.000
Nov. 24	52.000	52.000	52.000
Nov. 26	52.000	52.000	52.000
Nov. 27	52.000	52.000	52.000
Nov. 28	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c per pound.

Quicksilver

Buying interest in quicksilver was moderate, but prices showed no change at $107@$110 per flask. Representatives of foreign producers regard the market here as too low to talk business, as prices named abroad plus the duty are well in excess of the $107 basis. Domestic producers believe that foreign producers will remain aloof until quantity business again comes into the market. Export inquiry was noted here, involving bonded metal.

A dispatch from San Francisco, Nov. 27, said quotations were nominally unchanged at $100 to $101 per flask, December forward.

Silver

The recent advance in foreign silver to the basis of 71.11c per ounce troy has prompted Mexican miners to demand a 40% increase in pay at properties producing silver. A strike is to be called Dec. 17 unless an agreement on wages is reached.

The New York official price of foreign silver continued at 70¾c. The London market was quiet and unchanged at 44d.

Moody's Daily Commodity Index

Tuesday, Nov. 27, 1945	264.0
Wednesday, Nov. 28	264.0
Thursday, Nov. 29	264.0
Friday, Nov. 30	264.1
Saturday, Dec. 1	264.2
Monday, Dec. 3	264.4
Tuesday, Dec. 4	264.5
Two weeks ago, Nov. 20	263.6
Month ago, Nov. 3	264.4
Year ago, Dec. 4	248.7
1944 High, Dec. 31	254.4
Low, Nov. 1	245.7
1945 High, Dec. 4	264.5
Low, Jan. 24	252.1

Trading on New York Exchanges

The Securities and Exchange Commission made public on Nov. 28 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Nov. 10, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Nov. 10 (in round-lot transactions) totaled 2,764,192 shares, which amount was 13.76% of the total transactions on the Exchange of 10,041,780 shares. This compares with member trading during the week ended Nov. 3 of 3,075,565 shares, or 14.24% of the total trading of 10,798,800 shares. On the New York Curb Exchange, member trading during the week ended Nov. 10 amounted to 1,211,660 shares of 11.39% of the total volume on that Exchange of 5,319,240 shares. During the week ended Nov. 3 trading for the account of Curb members of 946,065 shares was 10.16% of the total trading of 4,657,695 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED NOV. 10, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	287,720	
‡Other sales	9,754,060	
Total sales	10,041,780	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	831,030	
Short sales	190,160	
‡Other sales	631,780	
Total sales	821,940	8.23
2. Other transactions initiated on the floor—		
Total purchases	203,820	
Short sales	13,100	
‡Other sales	156,860	
Total sales	169,960	1.86
3. Other transactions initiated off the floor—		
Total purchases	308,190	
Short sales	48,800	
‡Other sales	380,452	
Total sales	429,252	3.67
4. Total—		
Total purchases	1,343,040	
Short sales	252,060	
‡Other sales	1,169,092	
Total sales	1,421,152	13.76

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED NOV. 10, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	55,285	
‡Other sales	5,263,955	
Total sales	5,319,240	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	326,265	
Short sales	30,115	
‡Other sales	240,530	
Total sales	270,645	5.61
2. Other transactions initiated on the floor—		
Total purchases	101,880	
Short sales	5,700	
‡Other sales	131,505	
Total sales	137,205	2.25
3. Other transactions initiated off the floor—		
Total purchases	73,350	
Short sales	11,950	
‡Other sales	290,365	
Total sales	302,315	3.53
4. Total—		
Total purchases	501,495	
Short sales	47,765	
‡Other sales	662,400	
Total sales	710,165	11.39
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	129,526	
Total purchases	129,526	
Total sales	123,666	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices Rose 0.4% in Week Ended Nov. 4, 1945, Labor Dept. Reports

Reaching the highest level in nearly 25 years, the index of commodity prices in primary markets prepared by the Bureau of Labor Statistics, U. S. Department of Labor rose 0.4% during the week ended Nov. 24, 1945, said the advices from the Bureau on Nov. 29, which added that "the rise was due to continued advances in prices of agricultural commodities. At 106.7% of the 1926 average the index was 0.9% higher than four weeks ago and 2.5% above late November, 1944," said the Department, which continued:

"Farm Products and Foods—Continuing the uninterrupted advance of the last ten weeks, average market prices of farm products rose 1.4% during the week chiefly because of increases for fresh fruits and vegetables. Apples were up nearly 5% and potatoes and onions also were higher on holiday buying. Prices of citrus fruits moved up sharply with the removal of ceilings. Quotations for eggs and cotton rose fractionally. Grain prices declined on the average with lower prices for oats, reflecting ample supplies. Rye quotations advanced because of the short crop while corn remained steady at ceilings and wheat was fractionally lower. Livestock and poultry prices also averaged lower. Quotations for cows declined with good supplies while lambs were higher. Live poultry advances reflected the Thanskgiving holiday. The group index for farm products was 3.4% higher than in late October 1945, and 6.4% above a year ago.

"The increases for fresh fruits and vegetables led the advance of 1.4% in the group index for foods. Prices of butter continued to rise to the higher ceilings permitted following removal of subsidies. Oatmeal and rye flour increased while wheat flour was fractionally lower. Higher ceilings resulted in a 10% rise for grapejuice. Average prices of foods have increased 2.5% during the last four weeks to a level 3.5% above the corresponding week of 1944.

"Other Commodities — There were few price changes for other commodities during the week. Building materials rose 0.1% as a group because of price increases for common brick, turpentine and yellow pine. Some Oklahoma refineries reduced gasoline prices below ceiling. The group index for all commodities other than farm products and foods remained unchanged at 100.3% of the 1926 average—the level of the previous week; 0.2% above a month ago and 1.4% above the corresponding week of 1944."

The Labor Department included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the past three weeks, for Oct. 27, 1945 and Nov. 25, 1944 and (2) percentage changes in sub-group indexes from Nov. 7, 1945 to Nov. 24, 1945.

WHOLESALE PRICES FOR WEEK ENDED NOV. 24, 1945
(1926 = 100)

						Percentage changes to Nov. 24, 1945 from—		
Commodity Groups—	11-24 1945	11-17 1945	11-10 1945	10-27 1945	11-25 1944	11-17 1945	10-27 1945	11-25 1944
All commodities	106.7	106.3	106.1	105.7	104.1	+0.4	+0.9	+2.5
Farm products	132.1	130.3	129.5	127.7	124.1	+1.4	+3.4	+6.4
Foods	108.7	107.2	107.0	106.0	105.0	+1.4	+2.5	+3.5
Hides and leather products	119.1	119.1	119.1	119.1	116.7	0	0	+2.1
Textile products	100.5	100.5	100.5	99.9	98.9	0	+0.6	+1.6
Fuel and lighting materials	84.6	84.6	84.5	84.7	83.6	0	—0.1	+1.2
Metals and metal products	105.3	105.3	105.3	105.2	103.9	0	+0.1	+1.3
Building materials	118.7	118.6	118.6	118.1	116.4	+0.1	+0.5	+2.0
Chemicals and allied products	95.6	95.6	95.5	95.5	94.8	0	+0.1	+0.8
Housefurnishing goods	106.4	106.4	106.4	106.3	106.1	0	+0.1	+0.3
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.5	0	0	+1.2
Raw materials	120.2	119.1	118.6	117.4	114.1	+0.9	+2.4	+5.3
Semimanufactured articles	96.8	96.8	96.8	96.7	94.7	0	+0.1	+2.2
Manufactured products	102.3	102.2	102.2	101.9	101.2	+0.1	+0.4	+1.1
All commodities other than farm products	101.1	101.1	101.0	100.8	99.7	0	+0.3	+1.4
All commodities other than farm products and foods	100.3	100.3	100.2	100.1	98.9	0	+0.2	+1.4

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM NOV. 17, 1945 to NOV. 24, 1945

Increases			
Fruits and vegetables	8.5	Dairy products	0.4
Other farm products	2.8	Cereal Products	0.2
Brick and tile	1.1	Other foods	0.1
Decreases			
Grains	0.4	Livestock and poultry	0.2

Civil Engineering Construction Totals $59,622,000

Civil engineering construction volume in continental United States totals $59,622,000 for the week ending Nov. 29, 1945, as reported to **Engineering News-Record.** This volume is 29% above last week's volume and 66% above that of the 1944 week. This week's total is 0.7% below the previous four-week moving average. The report issued on Nov. 29 went on to say:

Private construction continued to climb this week. Its total for the week is 39% greater than last week and 313% greater than the corresponding week of 1944. Public construction is 5% greater than last week but is down 43% compared with the week last year. State and municipal construction dropped 15% below last week but is 87% greater than the 1944 week. Federal construction, while 35% greater than last week's total, is 66% less than the week last year.

The current week's construction brings the 1945 cumulative total to $2,051,399,000 for the 48-week period, a 25% gain over the like period of 1944. Cumulative volume for private construction is 179% greater than last year. State and municipal constructoin is 52% greater than last year. The public construction cumulative total for the 48-week period is down 52% from last year due mainly to the 31% drop in Federal work.

Civil engineering construction volume for the current week, last week and 1944 week are:

	Nov. 29, 1945	Nov. 22, 1945	Nov. 30, 1944
Total U. S construction	$59,622,000	$46,143,000	$35,952,000
Private construction	45,444,000	32,662,000	11,014,000
Public construction	14,178,000	13,481,000	24,939,000
State and municipal	6,893,000	8,096,000	8,694,000
Federal	7,285,000	5,385,000	21,245,000

In the classified construction groups five of the nine classes registered gains over last week as follows: sewerage, earthwork and irrigation, industrial buildings, commercial buildings and unclassified. Industrial and commercial buildings showed strong gains over the week last year, smaller gains were made by waterworks, earthwork and irrigation and unclassified.

New capital for construction purposes this week totals $12,490,000 and is made up of $6,509,000 in State and municipal bonds and $5,981,000 in corporate security issues. The week's financing brings the 1945 cumulative volume to $1,752,837,000, a 4% gain over the $1,684,869,000 reported for the 48-week period of 1944.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on Dec. 3 that the tenders of $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Dec. 6, and to mature Mar. 7, 1946, which were offered on Nov. 30, were opened at the Federal Reserve Bank on Dec. 3.

The details of this issue are as follows:

Total applied for $2,163,314,000.

Total accepted, $1,303,377,000 (includes $48,699,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(55% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Dec. 6 in the amount of $1,306,133,000.

Re-Elected Directors of Minneapolis Reserve

Advices from W. C. Coffey, Chairman of the board of the Federal Reserve Bank of Minneapolis, Nov. 20 stated that in the election which closed that day the following were reelected as directors of the Reserve Bank to serve for the three-year term beginning Jan. 1, 1946:

F. D. McCartney, Executive Vice-President, First National Bank, Oakes, N. D., to serve as class A director—reelected by member banks in Group 3 (those banks having combined capital and surplus of $75,000 and less).

Ray C. Lange, President, Chippewa Canning Co., Chippewa Falls, Wis., to serve as class B director—reelected by member banks in Group 2 (those banks having combined capital and surplus not exceeding $250,000 but in excess of $75,000).

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 28 a summary for the week ended Nov. 17 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Nov. 17, 1945

Odd-Lot Sales by Dealers— (Customers' purchases)	Total For Week
Number of orders	34,060
Number of shares	1,040,830
Dollar value	$41,333,549
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	202
*Customers' other sales	30,938
Customers' total sales	31,140
Number of Shares:	
Customers' short sales	6,738
*Customers' other sales	858,308
Customers' total sales	865,046
Dollar value	$33,201,166
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	130
†Other sales	174,330
Total sales	174,460
Round-Lot Purchases by Dealers—	
Number of shares	335,820

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production for Week Ended Nov. 24, 1945 Fell Off 5,200 Bbls.

After showing increases each week for six consecutive weeks, the nation's daily average gross crude oil production for the seven days ended Nov. 24, 1945 dropped 5,200 barrels below that of the preceding week and amounted to 4,469,300 barrels. This was also a decrease of 266,700 barrels per day when compared with the corresponding week of last year and was 130,700 barrels below the daily average figure of 4,600,000 barrels recommended by the Bureau of Mines for the month of November, 1945. Daily output for the four weeks ended Nov. 24, 1945 averaged 4,428,300 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,648,000 barrels of crude oil daily and produced 15,681,000 barrels of gasoline; 1,825,000 barrels of kerosine; 4,802,000 barrels of distillate fuel, and 8,800,000 barrels of residual fuel oil during the week ended Nov. 24, 1945; and had in storage at the end of the week 57,536,000 barrels of civilian grade gasoline; 25,648,000 barrels of military and other gasoline; 13,023,000 barrels of kerosine; 45,258,000 barrels of distillate fuel, and 46,474,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements November	State Allowables Begin. Nov. 1	Actual Production Week Ended Nov. 24, 1945	Change from Previous Week	4 Weeks Ended Nov. 24, 1945	Week Ended Nov. 25, 1944
Oklahoma	390,000	390,000	†383,600	— 5,100	381,300	357,250
Kansas	270,000	249,000	†260,200	— 7,150	253,300	274,200
Nebraska	800	----	†750	----	750	950
Panhandle Texas			81,000	----	82,000	94,150
North Texas			147,100	----	145,250	151,200
West Texas			457,750	----	448,950	473,950
East Central Texas			128,000	----	126,550	144,600
East Texas			316,000	----	314,000	367,900
Southwest Texas			300,100	----	295,800	347,100
Coastal Texas			464,250	----	455,600	553,400
Total Texas	1,990,000	‡2,016,198	1,894,200	----	1,868,150	2,132,300
North Louisiana			74,650	— 100	74,250	72,350
Coastal Louisiana			293,650	----	292,400	291,300
Total Louisiana	365,000	398,000	368,300	— 100	366,650	363,650
Arkansas	78,000	77,311	76,300	+ 250	75,900	80,300
Mississippi	48,000		53,150	— 1,000	53,650	52,950
Alabama	300		550	----	450	250
Florida	----		100	— 50	100	50
Illinois	215,000		207,300	+ 450	206,750	211,400
Indiana	13,500		13,400	+ 50	13,600	13,350
Eastern— (Not incl. Ill., Ind., Ky.)	65,200		58,300	— 5,250	62,400	63,850
Kentucky	28,000		28,750	— 400	29,100	29,400
Michigan	47,000		46,300	+ 450	46,400	47,800
Wyoming	92,000		97,250	— 50	96,600	96,950
Montana	23,200		19,500	— 50	19,500	21,350
Colorado	12,000		21,300	— 500	21,300	9,350
New Mexico	102,000	104,000	94,250	+ 50	94,200	104,850
Total East of Calif.	3,740,000		3,623,500	—18,400	3,590,100	3,860,200
California	860,000	§824,000	845,800	+13,200	838,200	875,800
Total United States	4,600,000		4,469,300	— 5,200	4,428,300	4,736,000

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of November. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Nov. 21, 1945.

‡This is the net basic allowable as of Nov. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 13 days, the entire state was ordered shut down for 6 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 6 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 24, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refining Capacity Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	‡Gasoline Production at Ref. Inc. Nat. Blended	‡Stocks of Gas Oil & Dist. Fuel Oil	‡Stocks of Residual Fuel oil	‡Gasoline Stocks Military and Other	‡Gasoline Stocks Civilian Grade
East Coast	99.5	796	100.6	2,063	16,150	8,015	5,353	12,621
Appalachian—								
District No. 1	76.8	100	68.5	382	639	192	827	1,743
District No. 2	81.2	56	112.0	199	130	205	81	728
Ind., Ill., Ky.	87.2	742	86.6	2,816	6,516	3,269	3,747	13,098
Okla., Kan., Mo.	78.3	339	72.3	1,378	2,855	1,147	1,129	6,352
Inland Texas	59.8	222	67.3	1,027	442	1,031	1,023	1,813
Texas Gulf Coast	89.3	1,141	92.2	3,964	5,980	4,922	5,148	9,113
Louisiana Gulf Coast	96.8	274	105.4	807	2,020	1,650	1,028	2,493
No. La. & Arkansas	55.9	56	44.4	178	523	363	13	1,717
Rocky Mountain—								
District No. 3	17.1	13	100.0	37	19	32	15	89
District No. 4	72.1	104	65.4	391	527	712	304	1,279
California	86.5	805	83.2	2,439	9,457	24,936	6,980	6,490
Total U. S. B. of M. basis Nov. 24, 1945	85.7	4,648	86.0	15,681	45,258	46,474	*25,648	57,536
Total U. S. B. of M. basis Nov. 17, 1945	85.7	4,693	86.8	15,577	45,341	45,608	25,888	55,066
U. S. B. of M. basis Nov. 25, 1944		4,706		14,765	46,513	63,047	38,841	40,870

*Includes aviation and military gasoline, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 8,027,000 barrels unfinished gasoline this week, compared with 12,284,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage.

‡Stocks at refineries, at bulk terminals, in transit and in pipe lines.

§Not including 1,825,000 barrels of kerosine, 4,802,000 barrels of gas oil and distillate fuel oil and 8,800,000 barrels of residual fuel oil produced during the week ended Nov. 24, 1945, which compares with 1,811,000 barrels, 4,586,000 barrels and 8,514,000 barrels, respectively, in the preceding week and 1,474,000 barrels, 4,491,000 barrels and 9,200,000 barrels, respectively, in the week ended Nov. 25, 1944.

Note—Stocks of kerosine at Nov. 24, 1945 amounted to 13,023,000 barrels, as against 13,181,000 barrels a week earlier and 13,601,000 barrels a year before.

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Nov. 24, 1945, as estimated by the United States Bureau of Mines, was 10,240,000 net tons, a decrease of 1,260,000 tons from the preceding week and 1,196,000 tons less than in the corresponding week of 1944. The Thanksgiving holiday was universally observed in the soft coal fields. For the period from Jan. 1 to Nov. 24, 1945, output amounted to 517,000,000 net tons, a decrease of 8.6% when compared with the 565,900,000 tons produced during the period from Jan. 1 to Nov. 25, 1944.

Production of Pennsylvania anthracite for the week ended Nov. 24, 1945, as estimated by the Bureau of Mines, was 949,000 tons, a decrease of 92,000 tons (8.8%) from the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 173,000 tons, or 15.4%. The calendar year to date shows a decrease of 14.9% when compared with the corresponding period of 1944.

The Bureau also reported that the estimated production of beehive coke for the week ended Nov. 24, 1945 showed a decrease of 1,300 tons when compared with the output for the week ended Nov. 17, 1945; and was 31,100 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite:	Nov. 24, 1945	*Nov. 17, 1945	Nov. 25, 1944	†Nov. 24, 1945	Nov. 25, 1944
Total, incl. mine fuel	10,240,000	11,500,000	11,436,000	517,000,000	565,900,000
Daily average	2,048,000	2,054,000	2,042,000	1,877,000	2,025,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. Anthracite—	‡Nov. 24, 1945	§Nov. 17, 1945	Nov. 25, 1944	Nov. 24, 1945	Nov. 25, 1944	Nov. 27, 1937
*Total incl. coll. fuel	949,000	1,041,000	1,122,000	49,682,000	58,350,000	46,706,000
†Commercial produc.	911,000	999,000	1,077,000	47,697,000	56,016,000	44,371,000
Beehive coke— United States total	75,000	76,300	106,100	4,760,400	6,474,600	3,016,700

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Nov. 17, 1945	Nov. 10, 1945	Nov. 18, 1944
Alabama	339,000	416,000	386,000
Alaska	5,000	6,000	7,000
Arkansas and Oklahoma	102,000	105,000	96,000
Colorado	127,000	156,000	156,000
Georgia and North Carolina	1,000	*	1,000
Illinois	1,267,000	1,542,000	1,525,000
Indiana	467,000	554,000	592,000
Iowa	35,000	39,000	62,000
Kansas and Missouri	126,000	124,000	152,000
Kentucky—Eastern	1,041,000	933,000	1,003,000
Kentucky—Western	389,000	357,000	371,000
Maryland	36,000	38,000	34,000
Michigan	3,000	3,000	3,000
Montana (bitum. & lignite)	99,000	82,000	100,000
New Mexico	25,000	29,000	34,000
North & South Dakota (lignite)	73,000	75,000	57,000
Ohio	737,000	768,000	671,000
Pennsylvania (bituminous)	2,610,000	3,000,000	2,874,000
Tennessee	141,000	152,000	147,000
Texas (bituminous & lignite)	2,000	1,000	3,000
Utah	133,000	133,000	135,000
Virginia	386,000	349,000	409,000
Washington	32,000	31,000	25,000
West Virginia—Southern	2,110,000	2,222,000	2,145,000
West Virginia—Northern	990,000	1,135,000	1,112,000
Wyoming	223,000	230,000	209,000
Other Western States	1,000	*	1,000
Total bituminous & lignite	11,500,000	12,480,000	12,310,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Steel Output Slightly Lower—Strike Threat Causes Uncertainty—Order Levels Sill High

"While President Truman's suggestion for curing the nation's strikes and wage controversies may bear some fruit on a long-term basis, it has satisfied neither industry nor labor for the immediate or near future," says "The Iron Age," national metalworking paper, in its issue of today (Dec. 6), which further adds: "Management will be dissatisfied because its idea of legislation encompassed putting the unions on the same plane as industry so far as legality of operations and acts are concerned. The union on the other hand has consistently shied clear of any legislation because it has felt that the only weapon it had for obtaining its demands was the right to strike.

"Furthermore, with the war over and with reconversion on its way both management and labor have felt that now is the time to test each other's strength so that in the future the road will not be so rough. For these reasons it is probable that the steel strike threat is just as great this week as it was last week—probably more so in view of the resounding vote of confidence which the steel workers gave their union in supporting a strike vote on the basis of four to one.

"There had been no doubt that the union would win the strike vote election, but there were many in the industry who had felt that the vote would be somewhat closer than it was. To believe that the steel workers union with such a vote behind it would retreat from its militant demand for a $2-a-day increase is not to know the history of this organization.

"On the other hand the dilly-dallying over the steel price negotiations for the past several months which resulted in a denial of higher prices has put steel management in no frame of mind to tag along with the fact-finding board. As far as the steel industry is concerned, the OPA 'has been fact finding' it since the war started, with the result that prices advances have been so few that most companies are claiming a loss on 70% of the steel products produced.

"Despite the intervention of the President into the labor crisis, there is no reason to believe that the steel-wage controversy will not be a serious, decisive and long-drawn-out affair. A strike could be serious for the workers in loss of pay but on the other hand the pressure from steel consumers who are attempting to get back to normal would be terrific upon the various steel companies.

"Continued high steel order levels this week have filled many mill schedules as far into the future as steel companies wish to go. It is now probable that orders for many products will soon be accepted only on an if-and-when basis, which was the case during the confused period after V-J Day.

"General Motors this week suspended deliveries of steel orders that were placed with various steel firms. Contrary to expectations the strike at G.M. plants has not permitted the carrying out of the original plan to stock the steel.

"The immediate extension of a few pipelines in this country and considerable pipeline fabrication for foreign countries notably Arabia and Russia was disclosed this week when a large welded pipe fabricator asked for approximately 500,000 tons of plates to be delivered over the next 12 months. While none of this business is considered new orders, the request for the entire production of one specific plate mill over the next 12-month period indicates that the company wishes to be sure of its source of supply."

The American Iron and Steel Institute on Dec. 3 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 82.8% of capacity for the week beginning Dec. 3, compared with 83.5% one week ago, 77.0% one month ago and 96.0% one year ago. This represents a decrease of 0.7 point or 0.8% from the preceding week. The operating rate for the week beginning Dec. 3 is equivalent to 1,516,600 tons of steel ingots and castings, compared to 1,529,400 tons one month ago, and 1,727,000 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Dec. 3 stated in part as follows:

"While suspension of shipments of automotive tonnage may develop soon on a far wider scale than witnessed to date there is sufficient pressure for steel to fill in the gaps in most rolling schedules for some time to come.

'Strikes at General Motors plants are reflected not only in choking off work for this company at plants of some suppliers where storage facilities have become overtaxed but in slowing in production of parts and accessories for other automobile builders as well. Should this trend become far more wide-spread soon, as seems likely, there is such diversified demand for sheets, bars, wire and other leading products that producers are little concerned at present over possibility of not being able to maintain production in face of increasing cuts in automotive tonnage.

"Primary concern of steelmakers is in meeting requirements with efficient and adequate labor supply. With a strike voted by steelworkers, there is prospect of general shutdown, perhaps by the end of the year, and this is the most disturbing consideration at the moment. A lowering of morale among workers, manifested by slowdowns, absenteeism and general lack of disposition on the part of many workers to hold normal standards of efficiency is disconcerting to producers, in addition to inability to obtain sufficient help for many operations, a trend existing since the end of the war. Inability of producers to obtain price relief appears at present to have removed the major prop from the possibility of an early solution of the present wage dispute.

"This also results in greater selectivity by mills in acceptance of tonnage, with production diverted as much as possible to the more profitable items. Nonintegrated producers dependent on others for skelp, wire rods, billets, slabs and other types of semi-finished steel are feeling the effects of this policy with increasing severity."

Revenue Freight Car Loadings During the Week Ended Nov. 24, 1945 Decreased 83,867 Cars

Loading of revenue freight for the week ended Nov. 24, 1945, totaled 716,494 cars, the Association of American Railroads, announced on Nov. 29. This was a decrease below the corresponding week of 1944 of 51,844 cars, or 6.7% and a decrease below the same week in 1943 of 103,338 cars or 12.6%.

Loading of revenue freight for the week of Nov. 24 decreased 83,867 cars, or 10.5% below the preceding week, due to Thanksgiving holiday.

Miscellaneous freight loading totaled 324,441 cars, a decrease of 29,982 cars below the preceding week, and a decrease of 46,848 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 106,213 cars, a decrease of 9,711 cars below the preceding week, but an increase of 7,702 cars above the corresponding week in 1944.

Coal loading amounted to 151,285 cars, a decrease of 20,768 cars below the preceding week, and a decrease of 10,650 cars below the corresponding week in 1944.

Grain and grain products loading totaled 50,773 cars, a decrease of 5,116 cars below the preceding week, but an increase of 5,195 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Nov. 24 totaled 34,054 cars, a decrease of 2,556 cars below the preceding week, but an increase of 3,555 cars above the corresponding week in 1944.

Livestock loading amounted to 21,386 cars, a decrease of 3,319 cars below the preceding week, but an increase of 291 cars above the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Nov. 24 totaled 16,772 cars, a decrease of 3,313 cars below the preceding week, but an increase of 193 cars above the corresponding week in 1944.

Forest products loading totaled 27,867 cars, a decrease of 3,581 cars below the preceding week and a decrease of 9,811 cars below the corresponding week in 1944.

Ore loading amounted to 21,852 cars, a decrease of 10,935 cars below the preceding week, but an increase of 2,981 cars above the corresponding week in 1944.

Coke loading amounted to 12,677 cars, a decrease of 155 cars below the preceding week, and a decrease of 704 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944 except the Northwestern, and all reported decreases compared with 1943.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
4 Weeks of July	3,378,266	3,459,830	3,455,328
4 Weeks of August	3,240,175	3,576,269	3,554,694
5 Weeks of September	4,116,728	4,424,765	4,456,466
4 Weeks of October	3,150,712	3,598,245	3,607,851
Week of November 3	851,962	893,069	754,739
Week of November 10	838,218	839,504	847,972
Week of November 24	716,494	768,338	819,832
Total	38,354,861	39,709,213	38,710,546

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Nov. 24, 1945. During this period only 41 roads reported gains over the week ended Nov. 25, 1944.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED NOV. 24

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
Eastern District—	1945	1944	1943	1945	1944
Ann Arbor	269	272	226	1,355	1,428
Bangor & Aroostook	2,294	1,838	2,359	329	336
Boston & Maine	6,135	6,245	5,970	12,368	14,237
Chicago, Indianapolis & Louisville	1,091	1,223	1,468	1,843	1,974
Central Indiana	17	31	31	39	37
Central Vermont	362	966	861	2,211	2,200
Delaware & Hudson	4,123	4,806	5,614	10,500	12,021
Delaware, Lackawanna & Western	6,442	6,909	7,306	8,346	10,547
Detroit & Mackinac	365	251	205	122	105
Detroit, Toledo & Ironton	1,577	1,616	2,286	983	1,268
Detroit & Toledo Shore Line	332	305	276	2,500	2,684
Erie	10,677	12,186	12,726	13,950	15,567
Grand Trunk Western	3,225	3,302	3,385	7,876	8,476
Lehigh & Hudson River	141	129	174	2,123	1,975
Lehigh & New England	1,543	1,758	1,691	1,197	1,542
Lehigh Valley	7,579	7,134	8,592	8,024	13,404
Maine Central	2,124	2,196	1,822	3,911	3,760
Monongahela	4,945	5,722	6,013	332	296
Montour	2,252	2,322	2,437	28	11
New York Central Lines	39,994	43,941	49,218	45,361	54,234
N. Y., N. H. & Hartford	9,307	8,479	9,098	13,991	17,115
New York, Ontario & Western	849	893	1,054	2,251	3,354
New York, Chicago & St. Louis	5,314	6,114	6,100	12,049	15,083
N. Y., Susquehanna & Western	381	413	500	1,964	1,819
Pittsburgh & Lake Erie	6,707	7,631	7,531	6,345	7,095
Pere Marquette	4,727	5,082	4,984	6,110	7,502
Pittsburgh & Shawmut	700	769	859	19	15
Pittsburg, Shawmut & North	220	318	342	208	235
Pittsburgh & West Virginia	797	856	1,033	1,793	2,520
Rutland	351	312	252	1,034	1,089
Wabash	5,338	5,687	5,974	9,818	11,893
Wheeling & Lake Erie	3,970	5,249	4,276	3,444	3,963
Total	134,660	144,945	154,663	182,435	217,902
Allegheny District—					
Akron, Canton & Youngstown	544	795	727	1,079	1,336
Baltimore & Ohio	37,696	40,541	42,141	23,478	27,752
Bessemer & Lake Erie	2,927	3,568	5,282	1,937	1,342
Buffalo Creek & Gauley	†	†	396	†	†
Cambria & Indiana	1,173	1,510	1,797	7	4
Central R. R. of New Jersey	5,391	6,305	6,855	14,819	19,432
Cornwall	380	439	577	55	51
Cumberland & Pennsylvania	229	162	213	7	11
Ligonier Valley	36	89	155	5	40
Long Island	1,368	1,441	1,166	4,216	4,776
Penn-Reading Seashore Lines	1,567	1,661	1,697	1,774	2,430
Pennsylvania System	63,853	75,077	81,248	56,833	63,654
Reading Co	12,846	13,950	14,525	23,343	29,716
Union (Pittsburgh)	17,471	19,408	20,067	4,311	5,433
Western Maryland	3,311	3,613	4,224	10,096	12,798
Total	154,792	168,469	181,070	141,960	168,825
Pocahontas District—					
Chesapeake & Ohio	24,989	27,673	30,449	12,713	12,188
Norfolk & Western	17,693	20,529	22,798	6,631	7,801
Virginian	3,997	4,646	4,828	1,662	2,602
Total	46,679	52,848	58,075	21,006	22,591
Southern District—					
Alabama, Tennessee & Northern	407	327	277	190	396
Atl. & W. P.—W. R. R. of Ala	723	684	700	1,927	2,789
Atlanta, Birmingham & Coast	752	660	713	1,384	1,489
Atlantic Coast Line	12,217	12,689	12,672	8,855	11,687
Central of Georgia	3,453	3,274	3,688	4,470	4,865
Charleston & Western Carolina	365	384	389	1,350	1,872
Clinchfield	1,287	1,659	1,738	2,845	3,086
Columbus & Greenville	364	274	273	244	330
Durham & Southern	83	122	100	669	902
Florida East Coast	2,469	2,498	2,550	1,347	1,491
Gainesville Midland	57	33	44	110	116
Georgia	1,025	1,044	1,201	2,074	2,501
Georgia & Florida	375	476	360	790	745
Gulf, Mobile & Ohio	4,097	4,356	4,254	3,840	4,439
Illinois Central System	24,242	26,258	27,196	13,853	17,751
Louisville & Nashville	22,453	24,534	24,648	9,428	11,586
Macon, Dublin & Savannah	221	177	209	934	812
Mississippi Central	257	416	300	377	431
Nashville, Chattanooga & St. L.	3,008	3,332	3,429	3,965	4,603
Norfolk Southern	1,020	921	1,026	1,367	2,033
Piedmont Northern	339	366	412	1,432	1,356
Richmond, Fred. & Potomac	341	456	366	8,336	10,455
Seaboard Air Line	10,464	9,867	10,546	8,200	8,969
Southern System	23,174	23,168	21,651	22,755	25,925
Tennessee Central	489	635	475	705	808
Winston-Salem Southbound	127	179	115	889	1,106
Total	113,829	118,789	119,332	102,345	122,543
Northwestern District—					
Chicago & North Western	15,466	15,421	15,286	12,531	13,318
Chicago Great Western	2,621	2,294	2,341	2,983	3,315
Chicago, Milw., St. P. & Pac.	18,868	19,863	20,148	8,989	9,894
Chicago, St. Paul, Minn. & Omaha	3,609	2,920	3,271	3,655	3,844
Duluth, Missabe & Iron Range	2,610	796	19,343	230	141
Duluth, South Shore & Atlantic	369	447	507	443	518
Elgin, Joliet & Eastern	7,329	8,643	8,922	9,054	11,517
Ft. Dodge, Des Moines & South	390	310	370	94	76
Great Northern	14,757	11,926	17,120	4,920	6,362
Green Bay & Western	*590	424	437	*602	787
Lake Superior & Ishpeming	727	795	613	50	114
Minneapolis & St. Louis	2,062	1,924	1,854	2,106	2,538
Minn., St. Paul & S. S. M.	5,493	4,335	5,780	3,130	2,838
Northern Pacific	10,357	10,516	11,014	4,495	5,634
Spokane International	113	218	140	346	515
Spokane, Portland & Seattle	1,788	2,282	2,323	2,281	3,603
Total	87,149	83,114	109,469	55,909	65,074
Central Western District—					
Atch., Top. & Santa Fe System	21,241	23,243	21,761	10,163	15,332
Alton	2,665	3,547	3,267	3,122	4,040
Bingham & Garfield	183	379	611	52	82
Chicago, Burlington & Quincy	19,478	20,004	19,431	10,429	13,580
Chicago & Illinois Midland	2,619	2,795	3,222	747	830
Chicago, Rock Island & Pacific	12,272	11,970	11,250	11,324	13,310
Chicago & Eastern Illinois	2,473	2,649	2,536	2,984	6,007
Colorado & Southern	1,023	911	843	1,795	2,555
Denver & Rio Grande Western	3,963	4,747	4,252	4,735	6,241
Denver & Salt Lake	703	544	525	46	24
Fort Worth & Denver City	1,017	855	861	1,509	1,782
Illinois Terminal	1,617	2,106	2,030	1,307	1,985
Missouri-Illinois	1,103	1,247	1,173	455	502
Nevada Northern	1,319	1,783	1,916	145	132
North Western Pacific	568	743	822	629	884
Peoria & Pekin Union	9	0	27	0	0
Southern Pacific (Pacific)	25,494	27,982	28,161	9,630	14,926
Toledo, Peoria & Western	0	348	322	0	1,933
Union Pacific System	18,709	19,998	17,023	13,130	16,830
Utah	769	485	641	5	4
Western Pacific	1,996	1,876	2,115	2,952	4,463
Total	119,221	128,212	122,789	75,159	105,442
Southwestern District—					
Burlington-Rock Island	259	317	292	336	534
Gulf Coast Lines	4,275	5,844	7,366	2,082	2,525
International-Great Northern	1,786	2,531	2,203	3,507	3,375
Kansas, Oklahoma & Gulf	‡	‡	241	‡	‡
Kansas City Southern	2,515	5,027	5,845	2,728	2,926
Louisiana & Arkansas	2,278	3,340	3,291	2,633	2,354
Litchfield & Madison	309	277	342	1,243	1,254
Midland Valley	1,240	902	649	1,727	1,536
Missouri & Arkansas	196	182	162	395	462
Missouri-Kansas-Texas Lines	5,298	6,083	5,776	3,546	4,767
Missouri Pacific	15,932	17,123	17,317	14,270	17,982
Quanah Acme & Pacific	133	64	84	115	351
St. Louis-San Francisco	9,530	9,159	8,552	7,346	8,839
St Louis-Southwestern	2,832	3,630	3,236	5,048	7,286
Texas & New Orleans	8,927	11,840	13,374	5,231	5,714
Texas & Pacific	4,536	5,539	5,599	6,156	6,942
Wichita Falls & Southern	78	73	84	71	36
Weatherford M. W. & N. W.	40	30	21	17	52
Total	60,164	71,961	74,434	56,451	66,945

*Previous week's figure. †Not reporting. ‡Included in Midland Ry.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
Aug. 4	223,467	153,694	577,024	94	94
Aug. 11	157,653	153,368	582,785	94	94
Aug. 18	82,362	109,034	532,186	67	93
Aug. 25	131,952	161,763	488,289	99	94
Sept. 1	173,322	159,653	494,699	97	94
Sept. 8	160,857	125,683	527,938	80	93
Sept. 15	150,029	160,303	515,295	96	93
Sept. 22	128,061	151,365	489,702	93	93
Sept. 29	162,065	155,428	492,880	96	93
Oct. 6	193,674	154,147	533,087	95	93
Oct. 13	135,756	160,031	506,935	97	94
Oct. 20	134,324	155,723	489,971	96	94
Oct. 27	140,583	156,551	468,549	98	94
Nov. 3	201,060	156,223	511,022	97	94
Nov. 17	123,281	154,122	479,228	95	94
Nov. 24	123,781	147,083	454,926	91	94

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Australian Minister Favors Atom Control

Australia's Minister for External Affairs, Dr. Herbert V. Evatt, argued vigorously on Nov. 27 in favor of his opinion that the United Nations Organization would have the capacity to handle disposition of the atomic bomb. Addressing the Dutch Treat Club in New York, according to a report in the New York "Times," the Australian criticized those whom, he said, favored scrapping the UNO and replacing it with some form of "world government." "The plain fact is," said Mr. Evatt, the "Times" states, "that the nations and peoples of the world are not yet prepared to surrender the rights of self-government in order to be governed by a central executive and a central Legislature on which most of them would have a tiny and very insignificant representation." The paper from which we quote added:

"The restriction of armaments, including the control of atomic energy," he declared, "can best be approached through the Organization and not independently of it, The existing constitution has not overlooked either the matter of regulating armaments or of placing armament facilities at the disposal of the Security Council.

"I am satisfied that at the present time little or no assistance can be derived from premature and futile attempts to amend the present constitution drastically, or still less, to abandon it. If there is a genuine spirit of international cooperation, the present Charter can make it a success. Without this spirit of international cooperation no World Charter can possibly succeed."

Attributing the recent criticism of the United Nations Organization to "a very widespread pessimism," springing "from disillusionment because the declared objectives of the leaders of the United Nations have certainly not yet been achieved and there are many serious disputes flaring up in many quarters of the globe," Dr. Evatt asserted, according to the "Times," that "some part of the responsibility for this state of disillusionment must be attributed to those leaders amongst the 'Great Powers' who have attempted, and perhaps are still making the mistake of attempting, to make both the peace treaties and their execution, their own exclusive prerogative."

Dr. Evatt went on to say that belligerents like Greece, Yugoslavia, Belgium, the Netherlands, Czechoslovakia and Norway had been ignored by the European Advisory Commission, and he declared, the "Times" reported, that "much of the trouble in the post-armistice administration in Europe would have been avoided if care had been taken to bring into the picture all other Powers which had been active belligerents."

Lumber Movement—Week Ended November 24, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 455 mills reporting to the National Lumber Trade Barometer were 5.2% below production for the week ending Nov. 24, 1945. In the same week new orders of these mills were 21.0% above production. Unfilled order files of the reporting mills amounted to 80% of stocks. For reporting softwood mills, unfilled orders are equivalent to 29 days' production at the current rate, and gross stocks are equivalent to 34 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 3.9%; orders by 6.1%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 37.9% less; shipments were 38.2% less; orders were 27.7% less.

Items About Banks, Trust Companies

At a meeting of the Executive Committee of Bankers Trust Co. of New York on Nov. 29, Roger F. Murray was elected an Assistant Vice-President. He will be associated with the bank's Credit Investment Department. In 1943, Mr. Murray joined the Army Air Force as a private and has been recently released with the rank of Captain. He graduated from Yale in 1932, and took a position with the Bankers Trust Co. shortly after leaving college.

John B. Bierwirth, President of the New York Trust Co., announced on Dec. 3 the appointment of three officers who are returning to the banking department of the company after leaves of absence to enter the armed services of the United States. Lieut.-Comdr. John F. Hallett, U. S. N. R.; Capt. Donald E. Coyle, U. S. M. C. R., and Lieut. William F. Sanford, U. S. N. R., were appointed Assistant Treasurers.

Maj. Walter M. Hawkins has returned to the Chemical Bank & Trust Co. after 3½ years' service with the U. S. Army and resumed his position as Assistant Manager of the Broadway at 44th Street Office on Dec. 1.

J. Luther Cleveland, President of Guaranty Trust Co. of New York announced on Nov. 30 the appointment of R. T. Tupper Barrett as Joint Manager of the company's Paris office, in which capacity he had previously served before the German occupation of France. Returning to New York in 1941, he served a year at the main office as Second Vice-President, entered military service in October, 1942, and has served three years with the rank of Colonel in the European theater with the Army's General Staff Corps. He returned to his bank duties two months ago following his discharge from the Army. Colonel Barrett has been awarded the Bronze Star Medal and the French Croix de Guerre with Gold Star. The former decoration was received when, as chief of the financial branch, G-5 section, with supervision over military government financial matters and property control, he personally supervised the packing, shipment and redeposit of recovered enemy gold bullion valued at several hundred million dollars.

Thomas J. Shanahan, President of the Federation Bank and Trust Co. of New York, announced on Dec. 5 that the recent offering to stockholders of the bank of 25,000 shares of stock at $20 per share had been fully subscribed. This brings the bank's capital to $1,500,000 and surplus to $1,300,000 with undivided profits as of Nov. 30, 1945, of $558,000, or total capital funds in excess of $3,350,000.

Directors of the Irving Trust Co. of New York on Nov. 29 declared a quarterly dividend of 15 cents and an extra dividend of 20 cents (total 35 cents) per share on the capital stock of this company, par $10, payable Jan. 2, 1946, to stockholders of record at the close of business Dec. 10, 1945. The extra dividend a year ago was 10 cents, as compared with the present 20 cents now declared.

In recognition of his services during the war as Executive Officer for the Corps of Engineers, Lt.-Col. H. C. Kilpatrick has been awarded the Legion of Merit. The presentation was made by Lt.-Gen. E. Reybold, Chief of Engineers, U. S. A., Retired, at a brief ceremony at the main office of Manufacturers Trust Co., New York, on Nov. 16. Colonel Kilpatrick recently returned to his position as Vice-President in charge of the bank's Real Estate Department.

Two types of no-minimum balance special checking accounts (Chexcel and Checkmaster) are being offered by the Bayside National Bank, Bayside, L. I., N. Y., as an extra accommodation to its customers. The Chexcel service makes no charge for deposits and there is no monthly service fee. A book of 20 checks is available for 10 cents per check. The Checkmaster plan offers checks free but makes a charge of five cents for each check drawn and each item deposited, plus a small monthly service charge of only 25 cents. The advices in the matter state:

"Depending upon the amount of activity that a customer contemplates in his checking account, it is possible to select one or the other on a fee basis to obtain maximum service at minimum cost. Thus, the Chexcel plan with its no-monthly service charge and no deposit charge is the most economical for the more inactive accounts. Checkmaster proves the cheaper for active accounts."

A merger of the American Bank of Lackawanna, N. Y., with the Manufacturers & Traders Trust Co. of Buffalo has been approved by directors of the two institutions, President Lewis G. Harriman of the Manufacturers & Traders, and President Walter J. Lohr of the Lackawanna Bank announced on Nov. 23. The Buffalo "Evening News," from which this is learned, states that stockholders of both banks will meet shortly to vote upon the proposal. The paper quoted also said:

"The American Bank of Lackawanna would be the third suburban bank to be absorbed by the M & T in the last few months. The other banks are the Citizens National Bank of Lancaster and the First National Bank of Kenmore. Consolidation of the American Bank with the M & T will be effected through an exchange of stock on the basis of seven shares of the M & T stock for each share of American Bank stock. In addition, the American Bank, out of its own funds, will return $61,000 to certain stockholders who advanced this amount to the bank in 1932 to support its capital structure.

"The American Bank will become a branch of the M & T. It will raise to 21 the number of offices operated by the M & T, including the main office. Present directors of the American Bank will continue to serve as an advisory board for the Lackawanna area. Alfonse L. Pulkowski, now Cashier of the American Bank, will become an Assistant Secretary of the M & T and will be Manager of the Lackawanna office. The present working staff of the American Bank will continue unchanged."

It was announced on Nov. 26 that at a meeting of the Board of Directors of the State Street Trust Co. of Boston, Moses Williams of Minot, Williams and Bangs, Inc., was reelected a director. Mr. Williams, who was a director prior to entering the service on Oct. 1, 1942, saw extensive service in the Pacific as a Major in the 5th Fighter Command of the Army Air Force and is now en route home.

Norman S. Kenny, a partner in the Boston real estate firm of C. W. Whittier & Bro., was appointed a director of The National Shawmut Bank of Boston at the regular meeting of the board on Nov. 15, according to the Boston "Herald."

Election of Brig.-Gen. Harold R. Barker, 43rd Division artillery commander, as Vice-President of the Industrial Trust Co. of Providence R. I., was announced on Nov. 27 by the bank's board of directors, it was stated in the Providence "Journal" of Nov. 28, which also said:

General Barker, who returned recently after nearly five years of service, has been identified with Rhode Island industry since 1911, excepting the years he served in the army during World War I and World War II."

Louis L. Hemingway, Chairman of the Board of Directors of The Second National Bank of New Haven, Conn., announces that the last step has been completed for the installation of an employee retirement pension plan, the stockholders of the bank having voted overwhelmingly in favor of its adoption. The plan, as adopted, will go into effect immediately and will provide substantial annuity payments to each employee who has been in the employ of the institution and reached the retirement age of 65. It will also provide benefits for the employee's family or dependents if he dies before retirement age. While the age at which an employee must retire is fixed at 65, nevertheless, he may discontinue working as much as 10 years prior to that age and receive an annuity of a lesser amount.

Mr. Hemingway emphasized that in adopting this plan the benefits accruing to the bank would be as great as those received by the employees. It should provide conditions more attractive to outstanding personnel and offer the possibility of more rapid promotion which will logically result in better service to the public and, consequently, more business for the bank. Mr. Hemingway said that the payment of retirement pensions to employees is not a new venture for the bank. It has been going on since the institution was founded in 1855. The only change is that by the adoption of the formal plan the policy which has obtained for so many years is reduced to a definite agreement and the annuity payments will be made to the employees from a third party, an insurance company.

The First National Bank of Jersey City, N. J., has called a special meeting of stockholders for Dec. 11 to act on a recommendation of the Board of Directors for the issuance of an additional 7,750 shares of capital stock of $100 par. It is proposed that the additional shares will be offered to stockholders of record Dec. 11 for subscription on the basis of 35/100 shares of the new stock for each share held. The directors have recommended that the new stock be offered at the price of $120 per share. Explaining the purpose of the proposed new stock in a letter to stockholders, Kelley Graham, President of the bank, said:

"It is believed desirable for the bank and its shareholders to increase capital funds at this time, both because of the substantially increased deposits, and also because of the possibility of attracting additional business as a result of increased lending ability."

Mr. Graham pointed out that bank's deposits increased from $52,276,414 as of Dec. 31, 1935, to $111,804,835 at Dec. 31, 1944, and that capital, surplus and undivided profits in the same period increased from $3,339,950 to $4,700,000. Net operating earnings in 1944 were $439,557, equal to $19.75 per share compared with $333,421, or $14.98 per share in 1943. For many years dividends have been paid at the rate of 4% annually. "In addition to operating earnings," said Mr. Graham's letter, "there have been profits on securities and also some recoveries which for the most part have been used to write down the cost of securities owned, or transferred to reserves. These profits have not been included in the operating earnings as reported above. The bank has accumulated sizable unallocated reserves."

Albert H. Hedden, Vice-President in charge of real estate of the Franklin Savings Institution of Newark, N. J., died on Nov. 28. Mr. Hedden, who according to the Newark "Evening News," was former State Director of the Emergency Relief Administration, was 50 years of age. He was also formerly in the real estate business in Newark and later headed the Hedden Building Co. in that city.

Directors of the Tradesmens National Bank and Trust Co. of Philadelphia, at their meeting on Nov. 30, recommended to shareholders that the capital stock of the bank be increased by the declaration of a stock dividend of 10% and called for a special meeting of shareholders on Dec. 12 to act upon the recommendation.

Charles S. Cheston has been elected a director of The Philadelphia National Bank of Philadelphia Pa., to fill the vacancy caused by the death of William H. Kingsley.

According to the Pittsburgh "Post Gazette" of Nov. 30, A. Douglas Hannah, now chief of the forgings and castings branch of the steel division, Civilian Production Administration, has been elected Assistant Vice-President of the Colonial Trust Co. of Pittsburgh. Mr. Hannah, is is stated, will begin his work in the field of customer relations for the bank on Dec. 15.

At a meeting of the Board of Directors of the Baltimore National Bank of Baltimore, Md., on Nov. 23, Nicholas F. Mueller, Jr., was elected an Assistant Cashier and Miss Mary Howard was made an Assistant trust officer, according to the Baltimore "Sun."

Plans to increase the capital of the National City Bank of Cleveland from $9,000,000 to $10,000,000 will be acted upon by the stockholders at their annual meeting on Jan. 8. It is proposed to issue 62,500 shares which are to be distributed among holders of the present 562,000 shares, according to advices in the Cleveland "Plain Dealer" of Nov. 18 by Guy T. Rockwell, its financial editor, in which Mr. Rockwell also stated that a stock dividend which will give present stockholders of the bank one new share of capital stock for each nine shares held has been recommended by directors.

From the "Plain Dealer" we also quote:

"The National City is acquiring control of the First National Bank of Rocky River, which is the first step in a new policy of the bank to establish a number of strategically-located branches in Greater Cleveland.

"Sidney B. Congdon, President, said that to effect this increase in capital and stock dividend $1,000,000 would be transferred from surplus to capital. This would give the bank capital of $10,000,000 and surplus of $10,000,000. Undivided profits, which approximate $2,000,000, and unallocated reserves, which are now about $3,000,000, would not be affected by the transaction.

"National City has paid dividends of $1.40 a share for several years (35 cents quarterly), and it is the present intention of the board to maintain the current rate on the increased capital."

Reference to the acquisition of the First National Bank of Rocky River, also by the National City Bank of Cleveland, was made in our issue of Nov. 22, page 2512.

The officers and directors of the Second National Bank and Trust Co. of Saginaw, Mich., announce with regret the death of Richard A. Packard, Vice-President and director, on Nov. 19.

The directors of the Mutual Bank and Trust Co. of St. Louis have elected Byron Moser Chairman of the board and E. A. Schmid President, succeeding Mr. Moser in that post. Mr. Schmid had heretofore been Vice-President and Cashier.

The directors also, the St. Louis "Globe Democrat" of Nov. 29 reported, recommended the bank's capital be increased to $1,000,000 by the sale of 8,000 shares of stock at $37.50 a share. The plan is to be approved at the annual stockholders' meeting to be held Jan. 31, 1946.

Mr. Moser and associates opened the Mutual Bank in 1934, shortly after the banking holiday in 1933. Deposits, it is stated, have grown from $250,000 on opening day to over $27,000,000, over $4,000,000 of which is savings deposits.

It is announced that Howard C. Kellett, President of the First National Bank of West Plains, Mo., has been elected a member of the board of United Bank and Trust Co. of St. Louis, according to the St. Louis "Globe Democrat" of Nov. 21.

Total assets of the Dominion Bank of Canada, Toronto, Ont., set a new record on Oct. 31 at more than $306,000,000 compared with $275,341,417 a year earlier, the bank's 75th annual statement disclosed today. Deposits at the close of the bank's fiscal year ended Oct. 31 totaled $274,702,000, a rise of more than $26,000,000 since the end of October, 1944. Holdings of Dominion and Provincial Government bonds and other high-grade securities amounted to $163,677,000, a gain of about $20,000,000 for the year. After providing for all taxation, including Dominion Government levies of $842,970, net profit for the past year was $1,080,383 against $775,975 in the 1944 fiscal period. After dividend deductions and provisions of $234,000 for the officers' pension fund and $193,142 for bank premises writeoffs, there was added to the profit-and-loss account $93,241. Commercial loans and discounts in Canada were virtually unchanged at $65,421,000. Cash assets exceeding $56,000,000 represent approximately 20% of public liabilities and immediately available assets of $227,000,000, it is stated, are over 80% of liabilities to the public.

An interim dividend of 3%, subject to tax, was declared in November by the Imperial Bank of Iran, payable on and after Dec. 19.

Halsey to Get Five Stars

Admiral William F. Halsey, Jr., was nominated by President Truman on Nov. 28 for promotion to the five-star rank of Admiral of the Fleet, the Associated Press reported from Washington. The Admiral, who recently relinquished command of the Third Fleet, saying that he planned to retire, has reported to the Navy Department for temporary duty, pending retirement.

The law establishing the five-star rank authorized appointment of four officers as Admirals of the Fleet. Only three were named. Admiral Ernest J. King, Chief of Naval Operations, who will soon retire; Admiral Chester W. Nimitz, former commander of the Pacific Fleet, who will succeed Admiral King, and Admiral William D. Leahy, Chief of Staff to President Truman.